FINANCIAL TIMES

LONDON – FRANKFURT – NEW YORK

1984 No. 30,377 Weekend October 31/ November 1, 1987 D 8523 A

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WORLD NEWS

Tebbit to keep job for a week

Tory Party chairman Norman Tebbit is to remain in his post until the end of next week, as the search for his successor goes on.

He wanted to leave the job yesterday, to take up various business directorships next week, but Mrs Thatcher persuaded him to stay longer.

She had wanted Trade and Industry Secretary Lord Young to take the job, but he withdrew his name after other senior Tories said his appointment might lead to conflicts of interest. Back Page

Two jailed for life

Assassin Patrick Timlin was given three life sentences at the Old Bailey for murdering a Sikh leader and trying to kill two others. Gurmail Singh Basra, who hired him, was given two.

Jury trial pledge by King

The Government wishes to return to full jury trials in Northern Ireland as soon as possible, Northern Ireland Secretary Tom King said. Page 4

Cuban Mig shot down

Cuba said one of its Mig-21 fighters was shot down in Angola and two crew captured, the first time Havana has made such an admission.

'Spy handed back'

A Soviet army officer was caught spying on the US military in West Berlin on Wednesday but after being detained he was handed back to Soviet officials, the US said.

Iran attacks Baghdad

Tension rose in the Gulf again as an Iranian long-range rocket hit Baghdad, in retaliation for Iraqi air raids. Page 3

Licensing reform bill

The Government published a bill to reform licensing laws in England and Wales, allowing public houses to open 12 hours a day. Page 4

Evening News closed

Associated Newspapers closed the Evening News for the second time, restoring the London Evening Standard's monopoly in the capital.

'Security men lied'

Officials of Shin Bet, Israel's internal security service, have routinely lied during trials of Palestinian suspects for 16 years, an inquiry found. Page 3

Sri Lanka plan dropped

Sri Lankan President Jayawardene abandoned a plan for an interim council to run the northern and eastern provinces before they merge into a Tamil province. Page 3

Woody Herman dies

Band-leader and clarinet player Woody Herman, 74, died of a heart attack in Los Angeles.

England go through

England, 219 for two, beat Sri Lanka, 218 for seven, in Pune, and will play Australia or India in the World Cup semifinals.

Mansell crashes

Briton Nigel Mansell hurt his back in a crash during practice for Sunday's Japanese Grand Prix, jeopardising his hopes of winning the championship.

Dressed to kill

Philippines President Corazon Aquino said women political leaders faced problems men did not, such as whether to put on make-up during coups.

BUSINESS SUMMARY

Berisford adjusts line on ABF bid

S&W BERISFORD directors are no longer recommending that shareholders of the diversified sugar producer reject a £767m cash takeover offer by milling and baking group Associated British Foods.

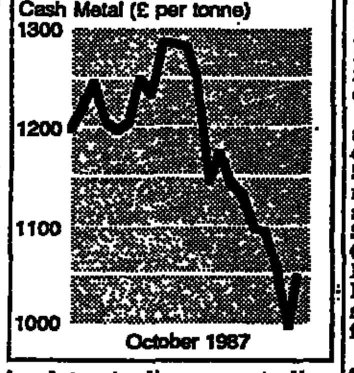
The move to give no official guidance to shareholders on the bid was taken because of stock market conditions. Berisford's current share price - at 371p - compares with a 400p offer from ABF. Back Page; Details, Page 8

SUN ALLIANCE, Britain's biggest household insurer, expects claims worth £64m from homeowners and motorists as a result of the recent hurricane. Back Page

ALUMINIUM prices rallied from Thursday's two-month lows on the London Metal Exchange but were trimmed back in late trading as sterling strengthened against the dollar. Cash standard metal closed up £51.50 at £1,049 a tonne. Page 10

Aluminium

Cash Metal (£ per tonne)



PARIS CLUB of Western creditor nations reached a preliminary accord with Poland to alleviate repayments due before the end of next year on much of the country's $35bn (£20.3bn) foreign debt.

OPEC said petroleum exports fell 41.5 per cent in value to $77.1bn (£44.8bn) last year as the world oil price fell.

BANK SAVINGS: The Japanese have an average bank savings of $27,303 (£15,874) per person - double last year's $13,135 figure and almost three times the average $9,733 held by an American, said the International Savings Bank Institute.

JAPAN'S trade surplus in goods and services fell to $8.38bn (£4.87bn) from $9.24bn last month, its fifth consecutive year-on-year drop.

TOSHIBA MACHINE, machine tool offshoot of Japan's Toshiba electronics group, reported an interim pre-tax loss of Y35m (£147,000) against profits of Y1.3bn, with exports hit dramatically following its illegal export of goods to the Soviet Union. Page 10

MITSUBISHI Heavy Industries, Japan's largest heavy engineering group, produced interim pre-tax profits of Y15.3bn (£64.2m) against Y3.1bn. Page 10

BRITISH AIRWAYS intends to defend itself "vigorously" against a lawsuit being brought by American Airlines alleging abuse of its position in the UK computerised reservations systems market. Page 4

PORTSMOUTH and Sunderland Newspapers group, UK printer and publisher, saw interim pre-tax profits rise from £948,000 to £2.49m. Page 8

GLOBE INVESTMENT Trust, Britain's biggest investment trust, increased interim attributable profits 12.5 per cent to £12.4m. Page 8

RHP GROUP, precision engineering group, bought Minnesota-based fire detection company Detector Electronics Corporation for $21m (£12m) cash. Page 8

US and Soviet Union 'to sign missiles pact on December 7'

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

A BUOYANT President Ronald Reagan announced yesterday that he and Mr Mikhail Gorbachev, the Soviet leader, would hold a summit meeting in Washington on December 7 at which the US and the Soviet Union would sign an accord eliminating intermediate range nuclear missiles.

Appearing before the White House press corps with Mr Eduard Shevardnadze, the Soviet Foreign Minister, at his side, Mr Reagan said that Mr Gorbachev had written him a letter which was "forthcoming and statesmanlike" in tone.

Mr Reagan also expressed optimism about the prospects for a Moscow summit in 1988 and the possibility that an agreement might be reached on cutting by half the long range or strategic nuclear weapons, which are militarily much more significant.

Asked whether Moscow had shifted its position and had dropped its insistence that the 50 per cent cuts in strategic missiles should be linked to agreement by the US to curb its Strategic Defence Initiative (Star Wars), Mr.Reagan hedged. He said that Moscow was not linking the two issues "in the sense of making one a condition for the other."

Mr Reagan was asked whether the US had shifted its stance on when SDI might begin to be deployed and he agreed there was flexibility in the US position on SDI.

Although Mr Reagan's brief answers to questions left several issues unclear, there was no mistaking the upbeat tone of his replies at the end of several days during which Washington has been waiting anxiously to see whether the Soviet Union would change course.

Last week Mr Gorbachev, told Mr George Shultz, the US Secretary of State of State,at a meeting in Moscow, that in spite of earlier Soviet assurances, he was not ready to set a summit date.

Abruptly on Wednesday of this week, however, Moscow announced that Mr Shevardnadze would visit Washington - a move which raised speculation that there had been a change of heart in Moscow. It remains unclear, however, what might have brought about the shift.

Officials in Washington, who have been battered by one disappointment after another in the past three weeks, were clearly jubilant at the decision.

At one point Mr Reagan was asked the significance of holding a summit on December 7, the day on which Americans commemorate the Japanese attack on Pearl Harbor which took the US into the Second World War.

In a moment of inspired public relations Mr Reagan replied: "Do you know I hadn't even thought about that until we were sitting in the Cabinet Room in this recent meeting? And I thought to myself, 'Wouldn't it be wonderful if Pearl Harbor day would become superseded by the day that we began the path to peace and safety in this world through disarmament?'"

Announcing the agreement on a summit, Mr Reagan said that Mr Gorbachev "has accepted my invitation to come to Washington for a summit, beginning on December 7. At that time we expect to sign an agreement eliminating the entire class of US and Soviet intermediate range nuclear forces.

He made it clear, in response to questions, that some details of the INF accord, dealing in particular with verification, had yet to be settled.

Mr Reagan also hinted strongly that the Washington summit would be a brief one rather than the extended tour around the United States for which the US has been pressing. He said that Mr Gorbachev had scheduling problems and implied that these would preclude a lengthy stay.

BCal in discussions with potential foreign partners

BY CLAY HARRIS

BRITISH CALEDONIAN, Britain's second largest airline, is discussing alternative rescue schemes with several continental European and North American carriers if its agreed takeover by British Airways is blocked.

BCal is determined not to be caught out if the UK Government forbids the takeover or attaches conditions unacceptable to either partner after the Monopolies and Mergers Commission submits its report next week.

Its talks with three or four other potential partners have not yet reached the point of discussing financial terms, although BCal in all cases would retain a separate identity.

The airline last night also announced the sale of its 11 four-star Copthorne hotels for an undisclosed sum, believed to be at least £30m, to London Tara Hotel, subsidiary of Aer Lingus, the Irish airline. BCal said BA did not object to the transaction. Announcing the hotels disposal, Sir Adam Thomson, BCal chairman, said BCal was "dedicated to seeing through the evolution of its airline interests, ideally through the merger of the airline with British Airways, but with alternative options if necessary."

Sir Adam also said: "Should the proposed merger not prove possible, cash raised from the sale of the hotel operation will assist the fulfilment of alternative strategies for the airline."

BCal made clear last night: "We're not in hard discussions with anybody." If the BA merger failed to take off, however, it said: "We would have to move pretty fast." A £25.5m loss on airline operations pushed the unquoted BCal group into an overall deficit of £19.3m in its 1986-87 financial year.

The proposed merger with BA has been criticised by smaller independent UK airlines concerned about the effects on competition, but supported by unions at BA and BCal.

The BA share offer was worth £237m when it was launched in July, but the stock market crash has reduced its value to £157m. Although some US and UK companies have pulled out of takeover bids since the crash, there has been no indication that BA is unhappy with the terms it is offering.

The Copthorne disposal was arranged by Goldman Sachs, the US investment bank which is BCAl's sole financial adviser.

BCal wholly owns the Copthorne hotels at Gatwick and Birmingham, holds equity stakes in hotels in Brussels, Aberdeen, Glasgow and Manchester, and operates the rest - in Zambia, Gambia, Barbados, the Netherlands Antilles and Plymouth - on management contracts.

The 2,000 rooms will raise the total operated by the Aer Lingus subsidiary to 14,700, in Ireland, Britain, the US, France and Spain.

Strict ship safety law planned

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE GOVERNMENT is to introduce legislation allowing unlimited fines for shipping companies convicted of neglecting safety regulations. Both managers and ships' crews would face up to two years in prison.

The Merchant Shipping Bill, published yesterday, provides clear grounds for prosecution where companies or individuals can be shown not to have taken "all reasonable steps" to make sure ships are operated safely.

The proposals follow controversy over responsibility for the loss of the Townsend Thoresen vehicle ferry Herald of Free Enterprise, which capsized off Zeebrugge seven months ago with the loss of 188 lives.

A public inquiry chaired by Mr Justice Sheen concluded that Townsend's "sloppiness" was a contributory cause of the accident, but ruled that no criminal offence had been committed.

However, there has been pressure for charges of manslaughter to be brought against Peninsular and Oriental Steam Navigation, which acquired Townsend shortly before the accident.

Mr Allan Green, the Director of Public Prosecutions, is considering what action to take following inquest verdicts of unlawful killing on 187 of the victims.

Mr Paul Channon, the Transport Secretary, said the bill would provide an effective legal framework for maritime safety which would place strict duties on both shipowners and seamen.

"We are determined that no effort should be spared in making sure that a disaster like the one which struck the Herald of Free Enterprise should never happen again," he said.

Mr Channon said spot checks on ferries were being stepped up, and safety features such as bridge warning lights, closed-circuit television monitoring and emergency lighting would become mandatory next year.

He said the Government was pressing other European Governments to introduce similar requirements, and warned that some safety measures would be introduced unilaterally if agreement could not be reached.

"I am determined that ferries operating out of British ports operate to the highest possible safety standards, be they British or foreign," he said.

The Government has already announced proposals to make it a specific offence to allow a ship to sail with its sea doors open. This was identified by the Sheen inquiry as the immediate cause of the Herald accident.

Ministers have rejected calls for enforcement of safety regulations to be removed from the Transport Department, which was accused at the inquiry of maintaining a "cosy" relationship with the ferry companies.

The bill provides, however, for the establishment of a Marine Accident Investigation Branch, separate from other maritime units and reporting direct to Mr Channon.

The bill also proposes major changes in the law governing the shipping registers maintained by dependent territories, all of which are technically part of the UK register.

Dependencies will have to prove they can enforce international safety standards, and the bill provides for restrictions on the type of ships which can be registered.

Finally, the bill tightens the law on registration of fishing vessels in the UK. This is intended to end registration of foreign vessels which subsequently take catches allocated to the UK under the European Community's Common Fisheries Policy.

Small investors in buying spree for BP shares

BY RICHARD TOMKINS

SMALL INVESTORS joined in a buying spree for British Petroleum's shares yesterday which took the market price well clear of the 70p floor level set by the Bank of England in an emergency support operation the previous night.

However, the closing price of 85p was still far short of the 120p at which the partly-paid stock had been sold in the world's biggest-ever equity offering.

The 70p price at which the Bank of England promised to buy BP's partly-paid shares had been carefully chosen as the theoretical value of the stock at the previous night's close.

However, the Bank calculated that many investors would be prepared to pay more for the shares because of the very high dividend yield they offered and because of the potential for large percentage gains in capital value.

Helped by a fair wind from the rising London stock market, the shares opened at 88p and hovered between 86p and 90p before easing back slightly to close at 85p. Volume in London was around 130m, making it easily the most actively traded stock.

Dealers suggested that some of the underwriters, particularly in the US, were taking the opportunity of the relatively buoyant price to unload stock and cut their losses.

They also reported large numbers of small lots, suggesting that small investors who had passed up the opportunity of buying shares in an equity offering doomed to failure had gone bargain-hunting for the shares in the after-market.

The special dealing arrangements set up by the Government apply to buyers as well as sellers. However, the National Westminster Bank, lead receiving bank to the issue, said yesterday it had withdrawn its on-the-spot dealing service for small investors because of lack of demand.

N.M. Rothschild, the merchant bank which sponsored the issue on behalf of the Government, yesterday released figures showing the extent of

Continued on Back Page

Markets in turmoil, Page 2; Out of the valley of death, and Editorial comment, Page 6; World Stock Markets, Page 11; Markets recover, and Lex, Back Page; Week in the markets, Weekend Section II

World stock markets

NEW YORK: Wall Street rallied for the second day running with the Dow Jones Industrial Average near 2,000 for most of the day and closing up 55.2 at 1993.53.

TOKYO: Wall Street's overnight rally and a firming of the dollar sparked the third-biggest single-day price rise. The Nikkei Average added 731.15 points to close at 22,765.04.

LONDON: The Government's safety net under the BP issue buoyed sentiment as did the rally on Wall Street. The FT-SE 100 closed up 67.8 at 1,749.8.

SYDNEY: Concern over falling bullion prices and weakness of the Australian dollar blunted an early rally. All-ordinaries index closed up 8.1 points at 1,292.1.

SINGAPORE: The stock market staged its first solid rally of the week. The Straits Times Industrial Index closed up 6.13 per cent at 826.6 points.

TORONTO: The strength on Wall Street spilled across the border and helped buoy Canadian share prices. The composite index closed up 146.94 at 3,019.27.

HONG KONG: Institutions sold into an early rally and trimmed gains on the Hang Seng Index to 35.61 points which closed at 2,240.13.

FRANKFURT: Domestic buyers came back to the market. The mid-session Commerzbank Index rose 98.9 points to 1,528.0.

ZURICH: A broad-based rally left the Swiss Bank Industrial index up 28.1 points at 536.10.

MADRID: Shares moved well ahead and the general index rose 10.33 points to 222.68.

MILAN: Prices moved solidly ahead with the Milan Index up 4.58 per cent at 754.

JOHANNESBURG: Share prices closed mixed with the all-gold index up seven points at 1,831.

BRUSSELS: A rally pushed the Cash Market Index up about 6 per cent to 3,955.40.

OSLO: Share prices recovered most of Thursday's steep decline and closed up 15.32 points at 302.15 on the all-share index.

STOCKHOLM: Prices rebounded and the all-share index closed 204.3 points up at 2,505.2.

AMSTERDAM: Prices fluctuated with the all-share index closing 4.1 points up at 73.6.

WEEKEND FT

THEATRE

Michael Coveney examines the effect of mixed funding on regional theatre

PVI

THE CRASH

The spotlight switches from equities to bonds

PIV-VIII

WEEKEND REPORT

Unit trusts

PXV-XIX

HOW TO SPEND IT

...on shoes

PXXI

TRAVEL

Winter sun

PX

FINANCE

Results of the Great Investment Race

PIV-VIII

MARKETS

DOLLAR

New York lunchtime:
DM 1.7255
FFr 5.8665
SFr 1.429
Y138.2
London:
DM 1.728 (same)
FFr 5.8725 (5.825)
SFr 1.4295 (1.4335)
Y138.35 (138.15)
Dollar index 98.5 (98.3)
Tokyo close Y138.55

US LUNCHTIME RATES

Fed Funds 6⅞%
3-month Treasury Bills: yield: 5.34%
Long Bond: 98⅜ yield: 9.05%

GOLD

New York: Comex Dec latest $470.3
London: $467.75 (469.5)

STERLING

New York lunchtime $1.724
London: $1.722 (1.7205)
DM 2.975 (2.9725)
FFr 10.1125 (10.0225)
SFr 2.4625 (2.4675)
Y238.25 (237.75)
Sterling index 74.6 (same)

LONDON MONEY

3-month interbank: closing rate 9⅝ (9$\frac{1}{16}$)

NORTH SEA OIL

Brent 15-day Nov (Argus) $18.875 (18.825)

STOCK INDICES

FT Ord 1,360.9 (+57.5)
FT-A All Share 887.33 (+3.7%)
FT-SE 100 1,749.8 (+67.8)
FT-A long gilt yield index: High coupon: 9.3 (9.19)
New York
DJ Ind Av 1,993.53 (+55.2)
Tokyo:
Nikkei 22,765.04 (+731.15)

Chief price changes yesterday: Back Page

Austria Sch22; Bahrain Din0.650; Bermuda $1.50; Belgium BFr48; Canada C$1.00; Cyprus C£0.75; Denmark DKr9.00; Egypt E£2.25; Finland Fmk7.00; France FFr6.50; Germany DM2.20; Greece Dr100; Hong Kong HK$12; India Rup15; Indonesia Rp3,100; Israel NS3.50; Italy L1600; Japan Y600; Jordan Fils.500; Kuwait Fils.500; Lebanon $L125; Luxembourg LFr48; Malaysia Rm4.25; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr8.00; Philipines Pe20; Portugal Esc100; S.Arabia Rl6.0; Singapore S$4.10; Spain Pta125; Sri Lanka Rup30; Sweden SKr8.00; Switzerland SFr2.20; Taiwan NT$85; Thailand Bht50; Tunisia Din0.800; Turkey L500; UAE Dh6.50; USA $1.00.
SELLING PRICE IN IRELAND 60p

CONTENTS

Bell Group may launch bid in hunt for cash

By Bruce Jacques in Sydney

MR ROBERT Holmes a Court, the Perth entrepreneur, was thought yesterday to be considering making a takeover bid in Australia in the hope of restoring cash flow to his corporate empire, the market valuation of which has been savaged in the last fortnight.

Shares in Bell Group, his flagship, have been cut from a peak A$10.60 to close yesterday in Sydney at A$2.90 while those in Bell Resources, his energy and mining investment vehicle, have been slashed from their high of A$6.40 to A$1.50 in the shake-out.

Analysts believe that the fall in the value of his shareholdings - mainly the near-30 per cent which Bell Resources holds in Broken Hill Proprietary, Australia's biggest company - means that its shareholders' funds may have been wiped out.

The market is worried that debt servicing bills could outweigh cash flow by A$30m ($20m) a year and in the absence of share trading profits, which will be harder to earn in a bear market, the earnings outlook is bleak. This has led to speculation that Mr Holmes a Court will be forced to make a major acquisition giving him access to cash flow.

The most likely candidate being identified in the market yesterday was Pioneer Concrete Services, the building products and resources group. Speculation grew that Bell Resources would launch a bid worth at least A$1.7bn for Pioneer, in which Bell already holds just under 17 per cent.

It bought this stake from Mr Larry Adler's FAI Insurances in August at A$4 a share. All parties were tight-lipped yesterday and Pioneer shares reacted somewhat to the speculation, recovering 20 cents to A$2.90.

The rumours were quite specific, with analysts predicting that a Bell bid for Pioneer would come in the form of convertible bonds transferable into shares in BHP. Pioneer would fit the bill well, possessing a number of large assets which could be sold.

Analysts have calculated that Pioneer's current capitalisation of about A$1.7bn is as much as A$1bn below the saleable value of its assets.

The fall of the US dollar has shaken Japanese confidence, Stefan Wagstyl writes from Tokyo

Doubts emerge over commitment to Louvre Accord

JAPANESE investors' confidence in the US dollar has been severely shaken by the American currency's decline this week. They have serious doubts about whether leading industrialised countries in the Group of Seven remain as firmly committed as they claim to the Louvre Accord - the agreement to maintain stable exchange rates.

An analyst at Nomura Securities, Tokyo's biggest stockbroker, said yesterday that investors "had concluded that the G7 agreement has already collapsed."

Investors are extremely wary about predicting an immediate heavy fall in the dollar - say, below Y130 - in the face of massive action by central banks this week to support the US currency above Y137. In Tokyo the dollar closed higher at Y138.55.

Mr Susumo Taketomi, senior financial economist at the Industrial Bank of Japan, says: "Central banks have successfully scared investors away from speculating against them. There is an equilibrium of terror."

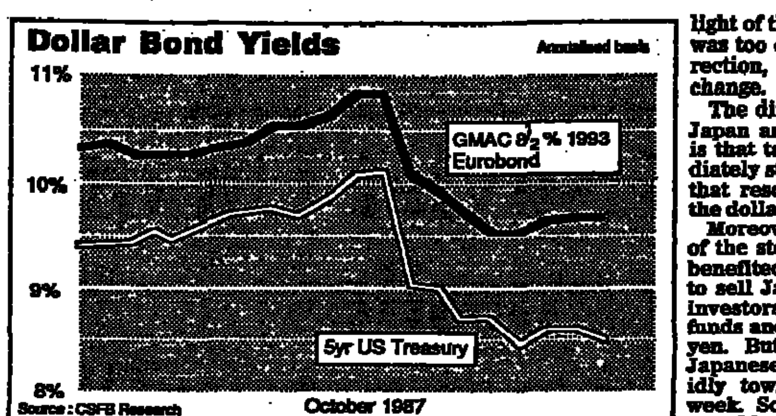
Nevertheless, in Tokyo the belief is widespread that the Louvre Accord is now being interpreted by central bankers as an agreement to slow the dollar's slide rather than to stop it.

Nomura Investment Research Institute, a Nomura affiliate, believes that the dollar will now trade in a range of Y135 to Y140, instead of the Y140 to Y150 range it has traded in for most of the past year. Daiwa Securities Research Institute, a subsidiary of the second largest stockbroker, forecasts an average rate of Y137 for next year.

The critical test of Japanese investors' faith in the US dollar will come next week when the US Treasury auctions $28bn of bonds in the quarterly refinancing of its debt. Japanese have typically bought a third of the issue in the recent past - if they buy significantly less it will be proof that they do not trust the greenback.

Yamaichi Investment Trust Management, a subsidiary of Yamaichi Securities, the stockbroker, was quoted yesterday as saying that had "no intention to bid at the moment". But Sumitomo Trust Bank said it would bid.

The Japanese Ministry of Finance and the Bank of Japan are at one in their insistence that the Louvre Accord, made last February, still stands. They say there are no plans to call a meeting of G7 finance ministers.



Mr Kiichi Miyazawa, the Finance Minister, said yesterday that the accord had not been breached by the dollar's fall below Y140. The accord did not contain a pledge to defend a specific floor.

In an interview yesterday, a senior Bank of Japan official said that the Louvre Accord committed governments to maintain exchange rates at "current levels". "I don't call this week's decline a very big departure from current levels. We realise that the market has a different view....(but) the idea of current levels had some flexibility from the start and still has," said the official.

He said the Bank of Japan was now carrying out a study of the impact of the stock market turmoil on real economies. He hinted that Japan's view of the accord might be revised in the light of the study - but he said it was too early to say in what direction, if any, policy might change.

The difficulty for the Bank of Japan and other central banks is that talk of flexibility immediately starts investors thinking that resolve is weakening and the dollar will fall.

Moreover, one indirect effect of the stock market plunge has benefited the dollar. In rushing to sell Japanese stocks foreign investors have repatriated funds and sold at least $10bn of yen. But foreigners' sales of Japanese equities slowed rapidly towards the end of this week. So central banks intervened buying an estimated $3bn of dollars.

In addition, the pressure on the dollar has been lifted slightly by the Bank of Japan's moves to ease domestic credit supply. The bank, which had threatened before the stock market crisis to tighten credit, has now done the opposite - buying Y500bn of commercial paper in the last week. This has helped bring down short-term interests by about half a percentage point. Long-term rates on government bonds have fallen faster still - from more than 6 per cent to about 4.5 per cent on the benchmark 89th issue bond.

The senior central bank official interviewed yesterday saw no contradiction between a short-term policy of easing rates to help the market through its current turmoil and a long-term policy of controlling money supply to prevent any resurgence of inflation.

The official agreed that central banks were in effect trying to win time while policy changes in the US and elsewhere took effect. He echoed the views of Mr Miyazawa and others that US measures to deal with the external and budget deficits were vital.

The Japanese Government's view is that moves in Washington to discuss deficit-cutting steps mean no meeting of the G7 is necessary for the moment.

There is hope at the Bank of Japan that enough has been done this week to make sure enough Japanese investors take part in next week's US bond auction. The official said: "We have tried to stabilise the market. There is a very good chance that investors will be there."

US official warns of worsening trade deficit

By Our Foreign Staff

THE US trade deficit is unlikely to improve this year and may worsen, Mr Robert Ortner, Under Secretary of Commerce for Economic Affairs said yesterday.

But there were no indications of an imminent US recession, and he anticipated a deficit of $155bn to $160bn, compared to $156bn last year.

The rising US trade deficit and the associated levels of US foreign borrowing have been at the root of financial markets' fears. Despite the depreciation of the US dollar, the deficit has stubbornly refused to reverse its trend. Economists fear that if the deficit is to fall, the dollar may have to fall further.

In testimony to the House-Senate Joint Economic Committee, Mr Ortner said it could be four to five years before the deficit was eliminated, though he anticipated monthly deficits slowing towards the end of the year. He warned that a move towards greater trade restrictions would cut off the US rapid growth in exports.

Mr Ortner played down the effects of the trade deficit on the US economy, which, he said, "shows resiliency under severe pressure". Asked whether he was concerned about the growth of the US foreign debt, he said: "Whether it will destroy our economy, I don't think that's the case at all."

Others at the hearings were more pessimistic. Stephen Marris, senior fellow of the Institute for International Economics, told Congress that "once the shock waves settle, the markets are going to start worrying again about next month's trade figures and we are likely to see renewed downward pressure on the dollar and upward pressure on US interest rates."

Anthony Solomon, former president of the Federal Reserve Bank of New York, also anticipated problems for monetary policy. He said the short-term dilemma was whether the Fed should risk a recession in the US in order to stabilise the dollar the next time the confidence of foreign investors is shaken.

He went on to warn that it may be too late for monetary policy to avoid an accumulation of weaknesses leading to a recession.

City acclaim for BP safety net

If all goes to plan the Bank of England won't have to buy any BP shares, writes **Richard Tomkins**

THE Bank of England's commitment to underwrite the share price of British Petroleum's newly issued shares recalls the proclamation to be found on every English bank note: "I promise to pay the bearer on demand the sum of ..."

In this case, however, the figure is not a number of pounds, but the 70p it is offering to pay for every partly-paid BP share which cannot find another home at a higher price.

The Bank did not pick up any of the partly-paid shares under the terms of this offer when trading began yesterday afternoon. Quite apart from the fact that the shares were trading at a figure considerably higher than 70p in the market, the arrangement is not in place yet. It is due to come into operation by the end of next week.

Details of the plan have therefore yet to emerge, but it is in essence simple enough. The Bank has undertaken to buy the partly-paid shares at 70p not just from those who bought the stock in the BP share offer or took it up as part of their underwriting commitments, but also from anyone who acquires it in the after-market.

Dealings are expected to take place through normal stock market channels, and it is highly unlikely that the Bank would deal direct with the public. In the event that its offer is taken up, subsequent disposals would not be made for at least six months after the offer closed and in an a way which would not upset the market. The assumption is that the stock would be placed with institutional investors at the prevailing market price.

Theoretically, the arrangement leaves the Bank highly exposed to another tumble in the stock market, for if BP price were to head below the 70p mark, it could stand to pick up the whole of the 2.2bn partly-paid shares in issue.

Yet it is hardly likely that it will be called on to do so. The very fact that it is standing by as a buyer of last resort ensures that investors will be happy to hold on to the stock and weather a downturn in the market.

The catch could come if a stock market downturn were to persist up to and beyond the point where the Bank's commitment expires. The plan is for the commitment to last for between one month and two, with the expiry date likely to be announced at the end of the first month.

The hope is clearly that by this time the stock market will have steadied enough for the safety net to prove unnecessary. If it has not, there would be nothing to prevent the Bank announcing a further extension to its scheme.

The plan won warm acclaim in the City yesterday. Many stock market analysts thought it would probably have proved unnecessary in any event because of the partly-paid shares were expected to open considerably above the 70p floor price. But they agreed that it was useful in removing any possibility of a wave of panic selling, especially by the underwriters with whom almost all the stock had been dumped.

If the Bank of England does pick up any shares in BP as a result of the scheme, it will not be for the first time. On January 23 1975, it acquired a stake of no fewer than 78m BP shares as a side-effect of its rescue operation for Burmah Oil. The Bank has little desire to repeat the experience; and if all goes according to plan, it will not be called upon to do so.

London market steadier after two-day recovery

BY TERRY BYLAND

THE LONDON stock market looked a much brighter place yesterday after share prices staged a further recovery - the first two consecutive days of improvement since the bottom fell out of the world markets on Black Monday, October 12.

The City was too shaken by the events of the past fortnight to celebrate the rally, which still leaves the market some 2.5 per cent down on the week. But the occasional glass should have been raised to Mr Nigel Lawson, the UK Chancellor of the Exchequer, following the successful launch of the £7.2bn British Petroleum share sale.

The BP new shares easily topped the market's active stocks list, although only a small proportion of the 2.2bn shares on issue changed hands. The closing price was more than 40p below the price underwritten by the major British and foreign securities houses.

The London market "behaved extremely well", said a trader at a large US bank. Gold futures and gold shares fell, indicating a return to investment fundamentals, away from last week's fear-driven activity.

However, market turnover was disappointing, and international stocks closed off the top as some analysts expressed nervousness over prospects for sterling an unsettled.

British Government bonds gave back some of their recent gains as the UK funds raised cash to meet the BP trading launch. Hopes of another cut in UK base rates subsided.

The dollar's inability to hold its initial improvement disappointed London.

While the mood of the UK markets has steadied over the past two trading sessions, UK traders remain very nervous. "The avoidance of recession (in the US) next year requires that the US Federal Reserve is able to bring down interest rates without unduly undermining the dollar", clients of a major UK trading house were warned yesterday.

Politburo row reveals tensions on reform

BY PATRICK COCKBURN IN MOSCOW

A PUBLIC row between Mr Boris Yeltsin and Mr Yegor Ligachev, two of the best-known members of the Soviet Politburo, has highlighted the tensions and frustrations felt among Soviet leaders at the slow pace of political and economic reform.

Mr Yeltsin, radical leader of the Moscow Communist Party and a non-voting member of the politburo, seem to have told the party Central Committee meeting on October 21 that *perestroika* (restructuring) in the capital was being frustrated by covert opposition in the bureaucracy.

He was then criticised by Mr Ligachev, number two to Mr Mikhail Gorbachev, the Soviet partyleader, who told the Politburo that Mr Yeltsin's difficulties in Moscow were of his own making.

In spite of unconfirmed reports that Mr Yeltsin had offered to resign, his staff said yesterday he was still at work in his office. Even if he were to step down, this would be unlikely until after the celebrations next month of the 70th anniversary of the Bolshevik revolution.

Boris Yeltsin: 'reform only cosmetic'

By breaking ranks semi-publically (details of what was said at the meeting are sketchy because no full report was published), Mr Yeltsin gave vent to policy differences among the Soviet leaders.

These are not, as they are sometimes described, between radicals and conservatives in the sense of people who want to maintain the *status quo* of the Brezhnev era. The real division is between outspoken proponents of *perestroika*, such as Mr Yeltsin, and more cautious leaders such as Mr Ligachev who want *perestroika* without excesses.

The differences between Politburo reformers, principally over political and cultural rather than economic restructuring, have become more acute as members dating from the Brezhnev era have dropped out. Eight of 13 members of the full Politburo, and four of six non-voting members, have been appointed since Mr Gorbachev became leader in 1985.

Mr Yeltsin and Mr Ligachev have similar backgrounds as party leaders in industrial cities of western Siberia. Mr Ligachev established his reputation as an honest and effective administrator in Tomsk between 1965 and 1983, when he was brought to Moscow by President Yuri Andropov. In charge of personnel, he weeded out corrupt party officials and Brezhnev proteges.

Yegor Ligachev: 'look harder'

Mr Yeltsin, party leader in Sverdlovsk, came to Moscow in 1985 and soon superseded Mr Viktor Grishin, a typical product of the Brezhnev era, as city leader. Grappling with the enormous problems of the Soviet capital, whose facilities are manifestly inadequate for its 8.7m people, he established his reputation as an eloquent advocate of reform.

Yet, since 1986, Mr Ligachev, while advocating economic and political change, has repeated the basic message that retructuring is beginning to show results. This is in sharp contrast with Mr Yeltsin, who has said – and seems to have repeated last week to the Central committee – that changes so far are only cosmetic and more radicalism is needed.

The tension between radical and cautious reformers is likely to be the central feature in Soviet politics for the foreseeable future, as it has been in China since 1978. The Soviet party's daily newspaper Pravda said yesterday in an editorial that the bureaucracy was "the worst and most dangerous enemy today."

Italian inflation 'likely to reach 6%'

By Alan Friedman in Milan

ITALY'S annual inflation rate is likely to rise to about 6 per cent by the end of 1987, according to the Bank of Italy.

The central bank forecast, which is compared with an initial government forecast of 4.5 per cent, confirms extensive concern about a rise in Italy's consumer price index.

The Bank of Italy says, in its October economic bulletin, that the rise in inflation can be traced partly to increases in VAT and in taxes on tobacco, as well as to a rise in energy and wholesale prices.

After touching a minimum of 4.2 per cent, the inflation level reached 5 per cent in September and is now about 5.5 per cent. Some economists fear the rate could exceed 6 per cent early in 1988.

Fermenta to sue former executives for damages

BY SARA WEBB, STOCKHOLM CORRESPONDENT

THE board of directors of Fermenta, the Swedish animal health and chemicals group, is to file suit for damages of more than SKr450m (£42.2m) against three former Fermenta board members.

Fermenta was saved from financial collapse earlier this year after financial irregularities were discovered in its bookkeeping under a previous management.

The three are Mr Goesta Bystedt, the former chairman of Fermenta and deputy chairman and chief executive officer of Electrolux, the household appliances group; Mr Leon Nordin, a Fermenta board member and director of Pierrel, Fermenta's Italian subsidiary, and managing director of his own management consultancy group, Leon Nordin Management; and Mr Ove Sundberg, who has served as managing director and chairman of Fermenta (and whom employees nicknamed Jesus because few had actually seen him but most believed in his existence). He is also a former chief executive of Kemanobel.

The complaint filed by Fermenta's legal counsel states that:

- The former board of directors violated the stipulations of the Companies Act.
- The board did not fulfil its obligation to put sufficient control mechanisms in place in the accounting and fund management functions of the company, thereby allowing Mr Refaat El-Sayed, the former chief executive, to divert company funds for his own benefit.
- The directors should compensate Fermenta for SKr1.3m in fines imposed by the stock exchange last year for breaches of the registration contract.

Mr Bystedt, Mr Nordin and Mr Sundberg, along with other board members, resigned at a crisis shareholders meeting last December when it emerged that Fermenta's entire profit forecast of SKr700m for 1986 would be wiped out. Fermenta showed a loss of SKr613m (before tax and allocations) in 1986.

Mr El-Sayed, who was recently declared bankrupt by a Swedish court, is under investigation by the public prosecutor for suspected embezzlement and fraud.

Fermenta said it would not file suit for damages against Mr El-Sayed as he is unable to pay back the money. However, the company said it may file suit for damages against other former board members in future.

Police hold 88 in Malaysia 'to prevent clashes'

POLICE have arrested 88 people this week, including 11 members of parliament, in a crackdown aimed at preventing Malay-Chinese racial clashes, authorities said yesterday, AP reports from Kuala Lumpur.

They said three arrests were made in Sarawak, the east Malaysian state on Borneo island, expanding the widening ring of arrests outside peninsular Malaysia.

Mr Mahathir Mohamad, the Prime Minister, said the arrests, along with the closure on Wednesday of three newspapers and a ban on rallies, were necessary to prevent race riots.

Police set up roadblocks in various parts of Kuala Lumpur, which has a population of 1m, and conducted searches on some vehicles.

Mr Mahathir told Parliament that unspecified actions by Malay and Chinese politicians in the governing National Front coalition and the opposition Chinese-backed Democratic Action Party, and by individuals, newspapers and magazines had aggravated racial tension.

These actions, he said, have made it appear his Malay-led government is oppressive to the Chinese and Indian minorities.

EC and Hungary talks stalled

BY WILLIAM DAWKINS IN BRUSSELS

HUNGARY and the EC have encountered potentially serious problems in their attempts to forge a trade and co-operation accord.

A week of talks between senior European Commission officials and a delegation led by Mr Tibor Antalpeter, the director general of Hungary's foreign trade ministry, have ended after a series of sharp exchanges.

The sides reached deadlock over the extent to which the EC should lift quotas on Hungarian imports in return for better market access for community exporters. As a result, the EC's negotiators will have to consult member states before deciding when to meet the Hungarians again. Negotiations started last June following informal approaches from the East European country.

Hungary is seeking more extensive links with the Community than Romania or Czechoslovakia, the only other European members of Comecon, the Soviet-led trading bloc, seeking bilateral links with the EC. But it also wants tougher terms.

Brussels maintains import quotas on more than 2,000 Comecon-made goods, several hundred of which come from Hungary, which maintains that the restrictions are counter to the rules of the General Agreement on Tariffs and Trade.

Brussels is prepared to abandon import quotas in phases, but with no fixed timetable, while Hungary wants a firm and detailed commitment to trade liberalisation. The EC is unwilling to go that far for what is still a state trading country, despite its attempts at economic reform.

Hungary is the only Comecon country apart from Bulgaria that runs a a regular trade deficit with the EC. Community exports to Hungary, mostly mechanical engineering and transport equipment, were Ecu2.45bn (£1.17bn) last year, while Hungary sold Ecu1.9bn of goods to the EC in the same period, mostly textiles, agricultural produce and chemicals.

EC to meet on safe food levels

BY WILLIAM DAWKINS IN BRUSSELS

FOREIGN MINISTERS of the EC are to stage an emergency meeting next Thursday to make a final attempt to agree on safe levels of radiation in food.

In the meantime, the present strict maximum permitted radioactivity levels, set in the aftermath of the Chernobyl nuclear accident, will continue to apply until midnight on Sunday week.

Member states were supposed to decide by today on permanent food radioactivity limits to replace the emergency post-Chernobyl rules. A meeting of EC ambassadors tried fruitlessly to sink big differences over what limits to accept in the event of a nuclear accident before breaking up late the previous night.

They will now report back to their capitals on the latest scientific evidence from the commission before foreign ministers try to make an agreement. Britain, France and Spain were continuing to argue that the EC should follow scientific advice and set much higher radiation levels than at present.

They are opposed by West Germany and supported by Denmark, the Netherlands and Luxembourg, which want even tougher standards than at present. However, they agreed to a temporary compromise for the next week to avoid the chaos that a legal vacuum would bring to the food industry.

The commission has suggested radiation levels somewhere between the two sides' demands, more with the aim of seeking a politically acceptable solution than with the intention of following the letter of its own scientists' advice.

EC will press Seoul on patent protection

By William Dawkins

SENIOR European Commission officials are to visit South Korea next week to put pressure on Seoul to grant EC exporters the same patent protection as their US competitors.

A delegation led by Mr Jos Loeff, the commission's deputy director-general for external relations, will hold talks on Monday and Tuesday with Mr Soon Young Hong, the Korean junior foreign affairs minister.

The dispute over whether EC companies in Korea get adequate protection against counterfeit competition has become a serious source of tension.

The commission delegation is expected to repeat earlier warnings that the EC might withdraw the import concessions which Korea, like other developing countries, gets under the generalised system of preferences (GSP), unless it gets satisfaction. This is the first time the EC has threatened to withdraw GSP status.

Although Korea has hinted it is prepared to give EC companies the same protection as their US counterparts, Brussels wants to keep up the pressure to ensure Seoul acts fast.

The commission wants retroactive patents protection going back between five and seven years for EC companies.

Obstacle to Manila debt pact removed

THE PHILIPPINE Government and creditors of a private fertiliser company in the country have reached agreement on a $56.5m (£32.8m) debt that has held up the Philippines debt rescheduling agreement, bankers and officials said, Reuter reports from Manila.

A senior foreign banker said that lawyers for both sides exchanged final draft documentation on Thursday. He said that, as part of the compromise, the creditors of Planters Products, led by Barclays, have agreed to a 15 per cent forgiveness of principal.

The banker said the fresh compromise involved the purchase of Central Bank debt paper on the secondary markets for use in raising foreign exchange to redeem Planters promissory notes from the creditor banks. The Government is to pay Planters 397m pesos (£11.7m) in unsubscribed capital and compound interest, and to let the company, on paper, redeem its own debt, he said.

However, because of prevailing discounts on Philippine debt paper and the higher forgiveness of principal, the banks had effectively written off about two-thirds of the debt, he added.

Denktash challenges UN

BY ROBERT MAUTHNER DIPLOMATIC CORRESPONDENT

MR RAUF DENKTASH, leader of the Turkish Cypriot community, said yesterday that the self-styled Turkish Republic of Northern Cyprus (TRNC) would actively seek international recognition if the UN General Assembly voted for an international conference on Cyprus.

Mr Denktash, speaking in London, said if the UN body did vote for an international conference it would automatically put an end to the efforts by Mr Javier Perez de Cuellar, the UN secretary-general, to achieve a negotiated solution to the Cyprus problem.

The Turkish Cypriot leader said the TRNC, which has so far been recognised only by Turkey, had not "knocked on doors" to seek international recognition so as not to upset Mr Perez de Cuellar's mediation mission.

However, the UN secretary-general's proposals for a federal system of government, accepted by the Turkish Cypriots, have been rejected by the Greek Cypriots, who have insisted agreement must be reached on the withdrawal of Turkish troops from Northern Cyprus before the new constitution is implemented.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. Tel: 75980; Tlx: 416193; FAX: 722677. © The Financial Times Ltd, 1987.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

OVERSEAS NEWS

Sri Lanka scraps plan for interim councils

By Mervyn de Silva in Colombo

SRI LANKA'S President Junius Jayawardene revealed yesterday he had scrapped the idea of an interim administration council to run the northern and eastern provinces.

The Sri Lankan leader, who leaves for Nepal tomorrow to attend the seven-nation south Asian summit, spoke to foreign correspondents for over an hour.

With the Indian peace-keeping force mopping up the last pockets of Tamil resistance in Jaffna, and his government facing a new threat from Sinhalese extremists, Mr Jayewardene was asked about the administrative arrangements in the peninsula, where the curfew is still on but the restoration of all basic amenities has been promised within a week by Major-General A S Kalkat, the Indian commander.

Political and administrative structures would be in place only after the provincial council polls, he said. He hoped to hold elections throughout the island before the end of the year. The draft bills, now before the full bench of the supreme court, to determine their constitutionality, would be passed by parliament in late November, he added.

Mr Jayewardene denied reports that a large team of Indian civil servants would arrive in the island shortly to take charge of the administration of the north. Since polls would be held within two months, the peace-keeping force would run the affairs of the north, with the help of some Sri Lankan and Indian officials, he said.

Describing the JVP as "anarchists" and not "Marxists", he said the international press should note that the JVP had attacked the offices of the socialist LSSP party and the Communist Party, had burnt vans transporting the newspapers of the state-owned Lake House, killed 37 active supporters of the ruling UNP, and threatened to kill MPs unless they promised to vote against the accord.

Mr Jayewardene confirmed that each UNP MP was being protected by groups of armed party activists trained by the security services. "We must exterminate this menace," he said.

At Kathmandu, Mr Jayawardene plans to discuss with Mr Rajiv Gandhi, the Indian prime minister, a draft treaty incorporating the basic ideas contained in the letters of exchange which followed the July 29 signing of the Indo-Sri Lankan accord. The treaty covers sensitive matters like the use of Trincomalee by foreign navies and the presence of foreign military and intelligence in Sri Lanka (Pakistan and Israeli mainly).

Robert Thomson, in Peking, asesses the Chinese Communist Party's gathering

Deng edges away from top echelon of power

THE NAME of Deng Xiaoping was absent from ballot papers given to Chinese Communist Party delegates selecting a new central committee, during the current party congress. This suggests that the paramount Chinese leader has retired from the highest level in the party.

Deng's apparent departure should mark the end of era in Chinese politics, but he is likely to keep one other senior post that would give him some weighty influence.

It is clear that he wants a lower profile and has insisted that other elderly officials, some of whom have opposed parts of the ambitious reform programme, adopt the same.

The party is due to release a communique tomorrow, detailing the retirements from the Central Committee. Diplomats expect that Deng, 83, will take a group of senior revolutionaries with him when he goes, clearing the way for the next generation of leaders, headed by Zhao Ziyang, the Prime Minister and acting party chief.

Delegates to the 13th congress, which began last Sunday, explained yesterday that they were given ballots with the names of 182 candidates for the Central Committee, and were asked to delete 10 names. This would make a new committee of 172 – down from the 210 appointed at the last congress in 1982.

The delegates said the ballot papers also had several blank spaces, and it was unclear whether additions could be made later to the committee.

Chinese officials had suggested that a slimmer committee would be able to meet more often than annually, as at present, and a factory manager, who told foreign journalists more than the party might like, indicated that the number of alternate members would be reduced from 138 to 111.

The rejuvenation of the top echelon has been discussed for many years. There was a partial passing of the old guard at a conference in 1985, but several veterans of the Long March have consistently refused to reliquish their hold on power, fearing that the country would be led away from their communist principles.

A few remaining senior leaders are likely to be housed in the Central Advisory Commission, which is supposed to offer advice on party conduct and policy but is far enough from the main levers of power to give more control to younger officials.

Deng is expected to remain chairman of the Central Military Commission, as army officers have demanded that he stay.

Deng Xiaoping: Army wants him to stay

Congress reaches the masses through ex-small potato

THE CHINESE Communist Party has discovered *kaifang* (openness) at its 13th congress this week, with nationally televised news conferences making minor celebrities of foreign journalists and the Workers' Daily publishing a congress diary by a model shopkeeper.

"At 2.50 in the afternoon, I was sitting in the solemn Great Hall of the People attending the party's 13th national congress. I could not believe my eyes. Was all this true? It was. Was it a dream? No it wasn't," wrote Guan Guangmei in the diary.

All this is new to the Chinese masses, who are accustomed to closed-door congresses and incomprehensible party documents, but who have suddenly found themselves on the political agenda.

Diplomats suggest that the *kaifang* and the saturation coverage of the congress is part of a reformist strategy to build a stronger base of support for popular reforms still under attack by conservative communists, who feel that change has gone too far, too soon.

The party work report, delivered by Zhao Ziyang, the acting party chief, at the opening of the congress on Sunday, was in part a self-criticism. It confessed that the party has lost touch at times and must "live up to people's expectations".

Much of the openness is superficial, as changes among the leaders were agreed before the congress and the party work report was fashioned by a few elderly leaders, who have far more power than the 1,936 delegates to the congress. Yet the coverage has been extraordinary and the party is determined to prove that democracy is trickling down.

Opinion polls monitoring the popular response have been published daily, including one, released yesterday, of passengers on a Peking-Shanghai express train, 98 per cent of whom said they had followed Zhao Ziyang's address to the congress. About 66 per cent of passengers said the democratic rights of ordinary people have shown "remarkable or moderate" improvement, though no definitions were made of the respective responses.

Most remarkable has been the prominence given to Guan Guangmei, the model shopkeeper, who was at the centre of controversy this year over whether she was a capitalist for having made a large pile of money through leasing previously unprofitable shops. The thoughts of Miss Guan, 37, have been highlighted each day. She told the nation that, from a "frustrated small potato", she has become a "confident and happy reformer".

The government is also keen to show that the congress is a forum for genuine debate, although journalists are not admitted to panel discussions and have to rely on official reports, one of which yesterday was headed "Lively Discussion among Shanghai Delegates".

Shanghai's mayor, Jiang Zemin, admitted that the city's people have "too much business acumen but not enough wisdom", while a film star, Zhang Ruifang, demanded that legislation be introduced to protect artists and the arts.

Chen Tiedi, the city's finance bureau chief, compared public money to a cake: "It is small and everybody wants a bigger share. The way out is to have a bigger cake and that can be possible when the economy is revitalised through structural reform."

Ordinary chinese, pleased as they are to have a a more open government, if only for a week, realise that it is the party's way to launch grand campaigns in the hope of small gains. Openness is the reformist theme of the moment but, if economic reform falters and conservatives reassert their authority, the people are likely to be struck off the political agenda.

Smiling Nakasone says sayonara in style

BY CARLA RAPOPORT IN TOKYO

WITH AN undisguised twinkle in his eye, Prime Minister Yasuhiro Nakasone bid goodbye to his public yesterday and handed on the baton of leadership to his hand-picked successor, Noburu Takeshita.

It was a sayonara with style. Savouring his position right down to the last few hours, Mr Nakasone accepted toasts and congratulations long into the night. At a lavish reception at his official residence in Tokyo, he could barely tear himself away from the attention of the world's press.

"I'm going to be around, picking up balls as a member of the team," he said of his future. "You know you find ball boys at Wimbledon. I'm going to be an old ball boy."

False modesty does not become the former premier. As foreign ministry officials gently sweated at his elbow, Mr Nakasone made it abundantly clear that he had no intention of retiring from politics. Mr Takeshita, he said, would continue with the good works begun by the Nakasone administration. "That is why I picked him," he said

Mr Nakasone has enjoyed one of the highest international profiles of any post-war prime minister in Japan and one of the longest tenures as prime minister and party leader.

As a result, he is not expected to increase his indulgence in painting, poetry, zen meditation or sports. He is, instead, to remain as active policymaker and guru of the ruling Liberal Democratic Party.

Expounding on the main challenges facing Mr Takeshita and Japan, he said substantial reform of Japan's education and tax systems as well as the country's parlimentary selection process must be attacked.

The greatest moment of his premiership, he said, was last year's double election.

So, in that case, what about disclosing some of the details of his recent choice of a successor. Did he ever really consider selecting rivals Mr Abe or Mr Miyazawa? "That's a national secret," he laughed.

Would he ever return to run for his party's leadership? "No," he said with a firm shake of the head. "Rejuvenation must be promoted." Mr Takeshita is a youthful 63 to Mr Nakasone's 69. But in Japan, age is still venerated.

Nakasone: becoming an 'old ball boy'

Iran hits Baghdad in retaliation for Iraqi air raids

BY RICHARD JOHNS

TENSION continued to rise again in the Gulf as Iran launched another long-range rocket early yesterday at Baghdad in retaliation for Iraqi air raids on Wednesday.

The projectile hit the Iraqi capital only hours before the departure of Mr Yuli Vorontsov, the Soviet First Deputy Foreign Minister, who had held talks with President Saddam Hussein of Iraq on the chances of implementing the UN Security Council resolution 598 which calls for a ceasefire in the seven-year conflict.

The missile was almost certainly a Skud B of Soviet design or manufacture. The attack was directed at the building housing the Iraqi Air Force command centre, which is in the centre of Baghdad, according to an Iranian communique broadcast by Tehran Radio.

Iraq said that the missile killed a number of civilians after hitting a residential area.

Iran has been supplied with Skud B missiles by Syria and Libya. Iran claims, however, to be able to make the weapon itself and featured it in a recent display of domestically manufactured weapons.

It is believed that President Hussein, in his talks with Mr Vorontsov, rejected the proposal originally made by Iran to Mr Javier Peres de Cuellar, UN Secretary General, and subsequently backed by Moscow, that an informal ceasefire should be accepted by Iraq while an international inquiry into responsibility for the war was undertaken.

Mr Peres de Cuellar wants clarification by the end of this week of the willingness of both sides to accept what the Iranians originally suggested as an "undeclared ceasefire" as a means of breaking the deadlock.

David Buchan writes: Iran's land-based Silkworm missiles are a threat to Gulf shipping but a difficult target for retaliation because of the mobility of the missile launcher, according to the top serving US military officer.

Admiral William Crowe, chairman of the US Joint Chiefs of Staff, said that he was concerned about the weapons, one of which last week severely damaged an off-shore Kuwaiti oil terminal. But he noted that the strength of the US Navy task force had so far inhibited by direct Silkworm attacks on it.

Israeli agents lied in trials of Palestinians

BY ANDREW WHITLEY IN JERUSALEM

FOR THE past 16 years, officials of the Shin Bet, Israel's internal security service, have routinely lied during the trials of Palestinian suspects, a government appointed commission of inquiry has found.

The commission, headed by Mr Moshe Landau, a Supreme Court judge, was appointed in May after an army lieutenant had his conviction on treason charges overturned on the grounds that Shin Bet interrogators had falsified testimony used against him in court.

The 88-page report said: "This evil has to be uprooted." But it stopped significantly short of recommending the prosecution of individual operatives because this could open the way to a spate of legal suits brought by former and present prisoners.

A majority of the 4,000 Palestinian "security prisoners" being held in Israeli jails are believed to have been found guilty purely on the basis of confessions said by the Shin Bet to have been extracted during interrogation.

A moderate use of physical force was permissible during interrogation, the Landau report said, if other psychological techniques of obtaining information had failed.

However, new guidelines covering interrogation methods were covered in an unpublished annexe in response to regular allegations by Palestinians and by independent bodies such as Amnesty International of torture and other abuses.

Mr Yossi Sarid, a prominent civil rights activist and Member of Parliament, commented that where doubts over verdicts existed, because of perjury, the Israeli legal system ought to permit retrials. But this view is unlikely to find widespread endorsement, either within the Government or among the Israeli public at large.

Welcoming the report - released yesterday, shortly before the Jewish Sabbath began, presumably to limit its public impact - Mr Yitzhak Shamir, the Prime Minister, said he did not think it would have a negative impact on the service's morale. A long-serving intelligence officer himself, Mr Shamir has frequently defended the Shin Bet in the face of a series of recent public scandals over its methods.

Robert Gourlay examines sensitivity in the Philippines to US interference in its affairs

Tinkering with a special relationship

ALMOST the first official task of Mr Raul Manglapus, the new Philippine Foreign Secretary, was to demand the removal of a military attache at the US embassy essentially for his close personal ties with the leader of failed military coup in August.

It is unclear whether Colonel Vic Raphael, the assistant army attache, was "just doing his job," as his ambassador said, or whether he was trying to prevent pro-government forces from attacking the rebels in order to aid the coup leaders as a Philippine colonel implied in testimony.

Nevertheless, Mr Manglapus has witnessed the kind of sensitivity about US interference in domestic politics that will dominate his term in the top foreign policy slot. It will also form the backdrop to negotiations that will start next year for a new treaty covering two crucial American military bases.

On Wednesday, the two governments agreed that Col Raphael should be sent home. He is godfather to the son of Col Gregorio Honasan, the rebel leader, a position which became untenable after Honasan's involvement in the coup. Avoiding any admission of guilt, the US embassy denied his departure was any reflection on his actions in the Philippines.

US-Philippine relations will survive this flurry of diplomatic pique - Mr Manglapus already said the incident is "probably" a storm in a tea cup. But it will join the list of incidents in which many Filipinos invariably see American hands tinkering overtly or covertly in Philippine affairs. The list is long although proof is short.

For instance, retired General John Singlaub, a rightwinger with anti-communist league links and known for his counter-insurgency work in Vietnam and in Nicaragua, where he raised funds for the contras, is suspected of backing private rightwing vigilante groups. Gen Singlaub claims his seven-month stay until November last year was to find the legendary hidden treasure of Gen Yamashita, the second world war Japanese leader.

Gregorio Honasan: linked to US attache

Then there is retired Gen Robert Stilwell, who has links with the rightwing Heritage Foundation, and who, after a visit in August, announced he was raising $5m from private sources to provide mess kits for soldiers. He is also planning to supply health services, skills training and wells to villages through rightwing Filipino organisations.

These are examples of groups - often rightwing foundations in Washington - which shrill editorials in Manila frequently claim are fronts for covert operations against the country's 18-year communist-led insurgency.

But Filipinos are equally touchy about official American visits, even ones like that by undersecretary of state Michael Armacost this week, during which he announced the early release of $75m of economic aid. Much media mileage was made of Palace protocol's complaints about how Mr Armacost appeared to demand meetings with Mrs Aquino and Mr Manglapus.

For many Filipinos, and not just those on the political left, the much touted "special relationship" between the former coloniser and its now poor colony is lopsided. Moreover, it is a relationship that shows no sign of becoming any less skewed, unlike, for example, in South Korea, where runaway economic growth is rapidly reducing the need for a large US military presence.

The special relationship is palpably unbalanced. The US remains by far the most important trade partner, the largest aid donor, the provider of 43,000 jobs at the bases and spending related to the bases equal to about 8 per cent of the national budget.

Few sober Filipinos delude themselves that central to the special relationship are American strategic interests, an integral part of which military analysts still believe are Clark Air Base and Subic Naval Base in the Philippines. Though the US says that Filipino and American interests coincide on this issue, Filipinos frequently suspect that Washington's interest in helping the Philippines and helping defeat the insurgency is primarily fuelled by a desire to protect their interests.

The opposition of surprisingly many Filipinos to what the insurgents are doing to their country is dampened by their nationalist desire for self-determination and suspicion of American motives.

The bases even become pawns in the power play acted out during the August coup. Washington threatened to cut all aid if Mrs Aquino was toppled in a coup. This would have included compensation for the bases running to about $180m a year, which the US refers to as aid.

Many people think Washington is simply bluffing - after all, they say, the US supported President Marcos long after it was clear he was fleecing his country. Others did not know what to think. It was intervention on the grandest scale but intervention on the 'right' side.

Reagan's second hopeful

Lionel Barber weighs the nomination of Douglas Ginsburg to the Supreme Court

PRESIDENT Ronald Reagan faces another bruising battle with the Senate over his latest nominee to the Supreme Court, Judge Douglas Ginsburg, a 41-year-old conservative with less than 12 months experience on the bench."

The judge's views are little known – he has written fewer than 20 opinions as an appeal court judge in Washington DC – his candidacy was pushed hard by conservatives in the Reagan administration, led by Mr Edwin Meese, the Attorney-General, over the reservations of Mr Howard Baker, the White House chief of staff.

The pivotal role of Mr Meese, one of the few conservative purists left in the Cabinet, has set Democrats on their guard. Senator Edward Kennedy of Massachusetts, whose campaign did more than anything else to sink Mr Reagan's original nominee, Judge Robert Bork, has again staked out the battleground.

Justice Lewis Powell, who left the Supreme Court this year on health grounds, was widely seen as a swing vote among a full complement of nine judges finely balanced between liberals and conservatives.

Despite his impressive *curriculum vitae* – law review editor, Supreme Court clerk, Harvard Law School professor and senior Justice Department official in charge of anti-trust policy – Judge Ginsburg falls far short of Judge Bork's intellectual capacity. He received only a recommendation of "qualified", the lowest of three acceptable ratings from the American Bar Association, when nominated to the Federal Appeals Court 11 months ago.

His best-known work is in anti-trust where he favours a hands-off approach. In an interview with the Washington Post, he said anti-trust law had been "perverted" to prevent mergers that could have increased competition and strengthened the economy.

Mr Reagan, who was furious at the liberal campaign against Judge Bork, appears to have fulfilled his pledge to find a nominee "they'll object to as much as this one."

While conservatives were praising the nomination of Judge Ginsburg yesterday, some Republicans were wondering why the president had chosen to lead another crusade when he is plagued with so many other difficulties. Others recalled that another Republican president, Mr Richard Nixon, had tried to bulldoze two conservative Supreme Court nominees through the Senate.

Judge Ginsburg, who would be the youngest Supreme Court Justice since the late William Douglas joined in 1939, faces a tough fight for confirmation.

Copyright bill is aimed at encouraging innovation

BY RAYMOND SNODDY

A COMPREHENSIVE copyright bill designed to encourage innovation and the exploitation of innovation was published yesterday by the Government.

Provisions, which will create a framework of intellectual property law lasting well into the next century, include:

- Fraudulent copying of trademarks to become a criminal offence with a penalty of up to 10 years in prison.
- Unlimited fines and up to two years' imprisonment for making or distributing copies of copyright material.
- Original designs to be protected for 10 years.
- Computer software to be given the full protection of the law with provision for ascribing authorship of "computer-generated work."
- Authors and film directors to have rights allowing them to object to unjustifiable changes to their work.

However, the Copyright, Designs and Patents Bill, which has 297 clauses and has been more than a decade in the making, contained two notable omissions.

The Government has decided not to go ahead with plans to introduce a levy on blank audio tapes and has dropped plans to hive off the Patent Office from the Trade and Industry Department.

Mr Kenneth Clarke, Trade and Industry Minister, said the Government had decided to drop the blank tape levy because the financial benefit to copyright owners and performers would be outweighed by the adverse effects on consumers, especially the visually handicapped.

The levy would have involved the Government in the collection of a new tax and the creation of a bureaucracy to distribute the proceeds.

"The cost of administration of the scheme would have been disproportionate to the amount of money concerned," Mr Clarke said.

The Government dropped plans to hive off the Patent Office because more and more of its business is being carried out by the European Patent Office. A review concluded that the Patent Office would no longer be viable as a free-standing body.

Mr Clarke said the bill, expected to have its second reading in the Lords on November 17, took account of the latest developments in modern technology and would "make the intellectual property system more accessible and relevant to the needs of British business."

In future, for example, patent litigation could be dealt with in county courts rather than the High Court to reduce costs and delays.

The Government has changed its views on original designs and what kind of spare parts can be copied without infringing copyright protection. When the design of a part, such as a gasket or car body panel, is completely determined by the need to fit or match, competitors will be free to copy the part in its entirety.

Mr John Butcher, junior Trade and Industry Minister, said the bill, would greatly strengthen the UK's hands in negotiations with the European Community on harmonisation of intellectual property law.

Copyright, Designs and Patents Bill. HMSO. £10.40.

Insolvency law bars 50 directors from office

By Richard Waters

FIFTY COMPANY directors have been disqualified from running businesses under a law introduced last December to protect creditors and shareholders from sharp practice, Mr Francis Maude, Corporate and Consumer Affairs Minister, said yesterday.

The directors, mainly from small companies, had been banned for an average of five years, he said at the annual dinner of the Insolvency Practitioners' Association in London.

Insolvency practitioners claim, however, that the real "rogue" directors - those the Company Directors Disqualification Act was designed to tackle - have yet to be brought to book.

"The determined rogue moves too quickly," said the head of one large insolvency firm. "The law has not been in place long enough to catch up with them yet. The transgressors so far are mainly those who have made a mistake or did not know what they should be doing."

Insolvency specialists expect disqualifications to rise sharply, given the number of complaints they have filed. In January, the first month of the law, the Trade and Industry Department reported that it had received complaints about 324 directors in 211 companies.

Under the law, insolvency experts are required to report on all directors of insolvent companies, whether or not there are grounds for concern.

"We are determined to put paid to the kind of behaviour where someone who is clearly unfit to be a company director causes misery and hardship to smaller companies by deliberately setting out to avoid debts," said Mr Maude.

He also revealed that 95 companies had appointed administrators so far this year. Administration, a procedure which was also introduced in late 1986, is intended to help companies that would otherwise go into liquidation or receivership by allowing them to appoint an outsider to run their affairs.

ITV companies agree to curb Big Five's network dominance

BY RAYMOND SNODDY

INDEPENDENT television companies have reached agreement on a radical reform of the commercial system which is designed to give smaller regional companies more access for their programmes to the national network.

For more than 30 years a small group of network companies have decided what ITV programmes are shown nationally and made most of those programmes themselves.

The system has come under increasing criticism from regional companies such as Scottish Television. The Government has also been making it clear it regards the network system as a cartel in need of reform.

The managing directors and programme controllers of the 16 commercial television companies, meeting in Jersey yesterday, agreed the broad principles for a loosening of the network system.

The powerful programme controllers' group is to be augmented by two controllers representing the 10 regional companies.

More fundamentally there will be a cut in the guaranteed network programme hours of the Big Five - Thames, London Weekend, Granada, Central and Yorkshire - from 42 hours to 35 hours a week in the first year of the new system.

Further reductions would be made "in the light of the needs of the schedule and the financial strength of the system."

The hours taken from the Big Five will be added to the hours at present available to regional companies to form a pool for which all the companies will be able to compete. The pool will amount to about a third of the total national broadcasting hours available.

The plan is that in future the prices for each category of programme would be common to all. In the past companies such as Scottish have complained that when one of its programmes is accepted for network transmission it was paid a fraction of what the Big Five companies paid each other.

Two working parties have been set up to work out the details and timing of the introduction of the new system but it is likely to be in place before next autumn.

Mr David Reay, chairman of the regional companies and managing director of Tyne Tees Television, said yesterday: "This agreement is a major step forward for ITV and recognises the enormous potential of the regional companies to contribute to the strength of the network programme schedule."

Mr Brian Tesler, chairman of the Network Programme Committee and chairman of LWT, also welcomed the progress that had been made.

However, there is now a fear that jobs could be lost in the five network companies. They face the loss of guaranteed programme hours at the same time as independent producers, with the support of the Government, will be gaining greater access to all four national channels.

United may be sued by Sunday Sport chief

By Raymond Snoddy

MR DAVID SULLIVAN, chairman of Apollo which publishes Sunday Sport, said yesterday he might sue United Newspapers over the sudden termination of the brief and controversial relationship between Sunday Sport and The Star.

Speaking in Washington DC, Mr Sullivan said the severance had been decided entirely by United and he had been told of it only on Thursday morning during a telephone call to Heathrow.

"I hope we can solve things without litigation but I think litigation has got to be a possibility," Mr Sullivan said.

"I feel very badly let down. This is not the action of gentlemen or the action of people running a public company."

United Newspapers, which owns The Star, announced on Thursday that it was severing the relationship with Apollo "by mutual agreement."

Mr Sullivan said he had been presented with a fait accompli and emphasised that legally binding deals had been made.

On September 3, it was announced that United was taking a 24.8 per cent stake in Apollo for about £2m and that Apollo would get ½p for every copy of The Star sold in excess of the January-June 1987 average circulation of 1,288,583.

"We have a five-year contract and there are no break clauses," Mr Sullivan said yesterday.

In spite of the end of the relationship with The Star, Mr Sullivan said he had no immediate plans to turn Sunday Sport into a daily.

Mr Andrew Cameron, managing director of Express Newspapers, the United subsidiary which includes The Star, confirmed yesterday that he had called Mr Sullivan and told him "it was time for a parting of the ways."

The aim now was to reach a severance agreement acceptable to both sides.

Return of full jury trials to Ulster is King's aim

BY JOHN HUNT

AN ASSURANCE that the Government wishes to return to full jury trials in Northern Ireland as soon as possible was given yesterday by Mr Tom King, Nothern Ireland Secretary.

Tom King: believes confidence has improved

In a speech in Oxford, Mr King was trying to persuade the Irish Government that it should pass the Extradition Bill which comes up before the Dail in December. This would enable suspected terrorists in the republic to be returned to Northern Ireland for trial.

However, politicians in the south have been saying passage of the bill is unlikely unless Britain agrees to change the Diplock court system in Ulster under which one judge sits in terrorist cases.

Mr King's words were intended to show that Britain had already carried out wide reforms in the north and that this was continuing.

However, his aim of returning to full jury trials is a long-term one. He was not indicating that the Diplock courts would be changed in order to ensure passage of the Extradition Bill. Nor was there any indication in his speech that he would agree to demands from the republic that the courts should sit with at least three judges.

Mr King said Britain had already taken a further step towards liberalisation by allowing more cases to go to jury trials rather than the Diplock courts. In the first six months of this year 200 such cases had been certified for jury trial.

He believed that in recent years confidence in the administration of justice had improved significantly in Northern Ireland. Many members of the nationalist community also held this view.

Labour's paper angry at closure

By John Hunt

LABOUR WEEKLY, the party's newspaper founded 16 years ago, published its last issue yesterday with a lead story strongly attacking Labour's National Executive Committee for voting to close it.

It is being axed as part of a cost-cutting exercise at the party's headquarters in Walworth Road, south London. The paper has eight journalists and office staff but negotiations are continuing about possible redeployment.

A lead editorial in the newspaper says the fight to save the publication ended on Wednesday when the NEC voted by 20 votes to seven to close it.

"This is a sad day for the staff of Labour Weekly but it is a sadder day for the Labour Party," it says.

It recalls that the paper often spoke with an independent voice on policy matters.

"The party needs such a voice more than ever as it embarks on a wide-ranging review of its policies, its organisation, its campaigning role and its presentation," it states.

BA to defend suit by US airline

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS intends to defend itself "vigorously" against a lawsuit being brought by American Airlines for alleged abuse of its position in the UK market for computerised reservations systems.

American Airlines alleges in a High Court action which also names Travel Automation Services (Travicom), a British Airways' subsidiary, that BA, in order to promote Travicom, has been seeking to exclude American's Sabre system from the UK market.

It is is seeking declarations that BA's actions are unlawful and prohibited by Article 86 of the Treaty of Rome, which outlaws anti-competitive behaviour. It is also seeking compensation and has filed a formal complaint with the EC Commission.

BA yesterday said it had not seen the documents in the case but did not feel there were any grounds for the action being taken by American Airlines.

Computerised reservations systems are rapidly becoming important marketing tools with big airlines on both sides of the Atlantic. They display details of flights, fares, hotels and other travel facilities on agents' screens, in an effort to win bigger shares of the market.

In addition to their own systems many big airlines are also combining into groups linking their systems to expand their market shares further.

Two such groups are being formed in Europe. One, called Galileo, includes BA, Swissair, KLM of Holland, Covia (United Air Lines of the US), British Caledonian, Austrian Airlines, Alitalia, Aer Lingus and TAP of Portugal.

The other is called Amadeus, and includes Air France, Lufthansa, Iberia, Scandinavian Airlines System, Finnair and Linjeflyg of Sweden.

Mr Michael Buckman, president of American Airlines' computer reservation network, one of the world's largest, says his airline first tried to establish a UK presence for Sabre in late 1985.

"Since then, BA, directly and through Travicom, the travel agency automation system it controls, has engaged in a variety of practices intended to preserve the near 100 per cent monopoly held by Travicom in the UK," he alleges.

"Most notably, BA has refused to grant American Airlines permission to allow Sabre users to issue tickets on British Airways in the UK. By this refusal, BA, which allows Sabre to issue its tickets in the US and Canada, substantially reduces the usefulness of Sabre to a UK travel agent."

Nuclear power output falls by 22.3%

BY MAURICE SAMUELSON

THE OUTPUT of nuclear power stations dropped by nearly a quarter this summer, reflecting the poor performance of advanced gas-cooled reactors.

The Energy Department's monthly statistical bulletin showed a 22.3 per cent fall in output from nuclear power stations between June and August.

The Central Electricity Generating Board confirmed last night that its four AGRs generated no power for 35 days during the summer and that difficulties continued.

The difficulties with the AGRs have been a key element in the board's long-running campaign to use pressurised water reactors for all future nuclear plants.

Its need for extra capacity, whether coal-fired or nuclear, is also underlined by yesterday's measurement of the rate at which electricity demand continues to grow.

From June to August, 5.7 per cent more electricity was used than in the corresponding period last year.

However, there was a rise of only 1.3 per cent in the amount delivered by the public industry. The balance came from private industrial generators or from France.

Fossil-fuel power stations, principally coal-burners, had to boost output by 8.8 per cent over the corresponding period last year.

- The Government is to publish a discussion paper for MPs on its strategy on renewable energy sources, Mr Michael Spicer, junior energy minister, told the Commons yesterday. He is expected to say more about the Government's thinking on wind power when he commissions a 3Mw windmill - one of the largest in the world - in Orkney on November 10.

Plessey to lose deputy chairman

BY David Thomas

MR MICHAEL CLARK, deputy chairman of Plessey since 1976, is retiring. His departure leaves a further gap at the top of the company, following Sir James Blyth's resignation as managing director at the start of the month.

However, the company believes it has a strong team around Sir John Clark, executive chairman, and does not appear to be planning to add senior positions to the board in the near future.

Mr Clark, 60, brother of Sir John and son of Plessey's previous chairman, joined Plessey in 1950 and was appointed to the board in 1953.

He played a leading role in building up Plessey's defence electronics business but has been less active in day-to-day business in recent years.

He intends to spend his retirement developing his extensive estate in Essex.

Onshore oil search round attracts 79 applications

BY MAX WILKINSON, RESOURCES EDITOR

APPLICATIONS to explore for oil and gas on the mainland were received from 79 companies by the close of the second onshore licensing round on Thursday, the Energy Department said.

Companies applied for licences in 258 blocks each of 100 sq km.

The response was much lower than in the first onshore licensing round in 1985-86 when 117 companies applied for 446 blocks.

This reflects a fall in oil prices and generally disappointing onshore results.

Mr Peter Morrison, Energy Minister, said he was pleased at the response as many promising areas had been allocated in the first round.

Unity Trust to gain bank status

By Hugo Dixon

UNITY TRUST, set up three years ago, will be able formally to call itself the trade union bank by the end of the year.

Unity has wanted to call itself a bank since its inception, but has had to stick to the more cumbersome title "financial institution" because legally it was only a licensed deposit taker. However, it has received Bank of England clearance to change its name to Unity Trust Bank.

Addison restructures subsidiaries

By Feona McEwan

ADDISON Consultancy, the publicly-quoted communications group, is reorganising its three financial subsidiaries into one company, Streets Communications.

This follows the failure of a management buy-out by directors of one of the three subsidiaries, Streets Financial Strategy, and its parent company.

Nine directors from the public relations division, which has 60 staff, have resigned.

The new organisation, Streets Communications, will combine the public relations, advertising and financial marketing functions of Streets Financial Advertising, Streets Financial Strategy and Streets Financial Marketing.

The restructuring follows Addison Consultancy's acquisition of Streets 18 months ago.

Addison is an acquisitive group with interests in personnel services, design, research, consumer communications and financial and corporate communications.

In the three years since its flotation it has increased pre-tax profits from £2m to £4.5m.

Licensing laws reform bill published

BY LISA WOOD

A BILL to reform licensing laws in England and Wales was published yesterday by the Government. It would allow public houses to open for up to 12 hours a day except Sundays but permit no changes in Sunday hours.

The Brewers Society yesterday described the bill as the "most important reform of licensing hours for over 60 years. It means the public will now get better and expanded services in pubs."

The Government has drawn heavily on experience in Scotland, where flexible licensing hours have been permitted for 10 years. Brewers, tourist organisations and consumer groups have lobbied for some years for similar hours in England and Wales.

However, the reform had provoked criticism from temperance groups and organisations concerned about alcohol abuse.

A new organisation called Keep Alcohol Safeguards, members of which include church and family groups concerned with alcohol abuse, said yesterday: "Instead of allowing longer public opening hours the Government should tackle alcohol problems effectively.

"It should strengthen laws on drinking and driving, keep alcohol taxes in line with rising incomes, boost funding for alcohol education and provide more money for services to problem drinkers."

Positive planning view urged by Ridley

BY HAZEL DUFFY

THE PLANNING mechanism needed to be seen as a positive means of promoting necessary developments, Mr Nicholas Ridley, Environment Secretary, said yesterday.

Mr Ridley, who was prevented by fog from delivering his speech to the National Housing and Town Planning Conference in Harrogate, said the assumption had grown up among the public that planning was a mechanism "by which change can be resisted and established interests protected - the view from my window, the fields down the road, the value of my property."

The developer was cast in the evil role of the profiteer with no social conscience.

However, development needed to be seen positively. In relation to housing, for instance, new household projections to be published early next year, were expected to confirm that more land for housing would be needed over the next 10 to 15 years, particularly in the south-east, than forecast before.

This was because "there are more small households, a more dispersed employment pattern and a desire generally for more second homes and more living space," Mr Ridley said.

Some of the land needed could be recycled land in urban areas but some had to be found on new sites.

He added that a lot could be done to reduce opposition to new development through the development planning system.

Mr Ridley said: "There are two key requirements. The first is that you explain and consult, and give people a chance to comment, before decisions are taken. The second is that when decisions have been taken people can have some confidence that they will be made to stick."

The proposals in the green paper published last year would give greater certainty, not less, and would aim to ensure effective strategic policies at the county level.

Information technology disappoints institutions

BY DAVID THOMAS

MANY FINANCIAL institutions believe that new information technology systems are not living up to expectations, according to a survey.

The survey, carried out by the MORI polling organisation for Electronic Data Systems, the computer services subsidiary of General Motors of the US and The Economist magazine, also revealed short-term planning and a lack of management controls among many financial institutions.

The survey, carried out before the stock market crash, was of 46 board members of banks, building societies and insurance companies.

Almost three-quarters (71 per cent) said they were not fully satisfied that they were matching their competitors in the effective use of information technology.

Fully 89 per cent thought new technology would have a greater impact on profits in future, but a third were not planning to increase their investment in technology.

Four-fifths were not completely satisfied that their investment in information technology had lived up to their expectations, although about a half were fairly satisfied.

Most (81 per cent) planned no longer than three years ahead when introducing new technology and a quarter of investment banks said they planned on an ad hoc basis when requirments arose.

Some 41 per cent said information technology was not managed in the same way as the rest of the business, with many reporting no goals at all being set for the new systems.

Boyson becomes director of Blacks Leisure

By Nikki Tait

BLACKS LEISURE, the camping and leisurewear group saved from receivership by a £1m consortium package last October, is strengthening its boardroom with the appointment of five directors.

Sir Rhodes Boyson, Conservative MP for Brent North and a former minister, becomes a non-executive director.

Mr Richard Wilkinson, who was previously managing director of Sears Financial Services, becomes finance director.

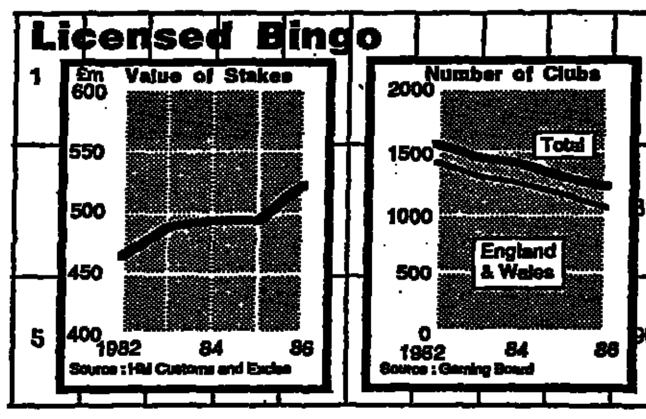
Mr Bernard Garbacz, who led the original consortium and was chairman and finance director, becomes chairman and chief executive. Mr Stephen Morris, Mr Neil Howard and Mr Simon Bentley join the board.

Blacks was a high-flying stock during the early summer but its share price has halved recently.

David Churchill on pressure for legal changes to revive a one-time favourite pastime

Bingo operators pin hopes on Maggie's Den

BINGO club operators are pressing the Government to relax the regulations governing the game in an attempt to revive the popularity of what was once one of the country's favourite pastimes.



The industry's main target is a change in the law to allow clubs to advertise their games, as well as the opportunity to increase the prize money on offer. Their case is based on the impact of newspaper bingo games in recent years.

Mr Barry Anderson, managing director of Mecca Leisure's bingo clubs operations and chairman of the Bingo Association of Great Britain, says: "It is hardly fair that newspapers can freely advertise their bingo games and offer large cash prizes when the traditional clubs are strictly limited by law.

"There is no question that newspaper bingo has hurt the industry. The cost of buying several newspapers a week to play the game has obviously hit into the disposable income of people who belong to our clubs."

The tabloids papers' move into bingo as part of the Fleet Street circulation war came at a bad time for the bingo clubs, which in the early 1980s had increasingly looked out of step with other trends in the booming leisure industries.

Bingo had been the craze game of the late 1950s and 1960s, offering working-class housewives the opportunity to escape the home once a week and enjoy a social evening in a relaxed atmosphere. While men went to the pub or betting-shop, their wives went out to play bingo with their friends.

Cinemas, hit by the growth of television, were converted at a fast pace into bingo halls to meet the surging popularity of the game.

In its heyday in the early 1970s, there were more than 1,700 licensed clubs and more than 5.5m regular players.

Now, however, the number of licensed clubs has fallen to 1,186 with 75 clubs holding licences but not open for business and regular players are estimated at about 3.5m. Only about a third of licensed clubs are part of the larger chains.

The main chains are Rank Organisation with 91 clubs, Mecca (78), Coral (74), Granada (51) and Zetters (28).

Bingo's problem was that it became a mature industry in every sense of the word. While converted cinemas and church halls were acceptable in the less sophisticated environment of the 1960s and 1970s, the lack of investment over the years made bingo clubs look dowdy by the 1980s, especially in comparison with other leisure facilities, such as renovated pubs and clubs.

At the same time, bingo failed to attract the new generation of younger housewives. The typical player is aged 55.

The consequence was a steady decline in admissions in the late 1970s and early 1980s. "The halcyon boom days of bingo are long over," the Mintel market research company pointed out in a recent report. "Compared with many other forms of gambling, bingo has fared particularly poorly since 1976."

In the mid-1980s, however, the bingo industry started to fight back. The large operators recognised the changes that were taking place in leisure markets and started to upgrade facilities.

At the same time, the industry finally managed to get a private member's bill through Parliament in 1985 after a previous attempt had been killed off by the 1983 election to allow a national bingo game to be played.

Licensed bingo clubs are prevented by law from offering more than certain levels of cash prizes - depending on the number of players.

Although many clubs had formed links with two or three others to play a form of linked bingo, a nationwide linked game was banned until the law was changed. Under this national game, some 800 clubs are linked electronically to play for cash prizes of up to £50,000.

The national game has not been the runaway success that many had hoped for in the industry although it does appear to have stemmed the slump in admissions.

Mr Angus Crichton-Miller, director of the Rank Organisation's leisure division, which operates the largest group of bingo clubs in the UK, says: "There is no doubt that the industry is better off than it would have been without the national game."

He estimates that the decline in bingo club admissions, which had been running at 2 to 3 per cent a year, has now been halted.

Mr Graham Kerr, managing director of Granada's bingo operations, agrees: "The national game has steadied what was a downward trend in numbers of people playing."

Bingo operators believe, moreover, that the real benefits of the national game are yet to be realised. Furthermore, it appears that the game is helping to draw into bingo younger women, on whom the future of the game in Britain depends.

The larger operators are wooing this younger market by placing more emphasis on the social element in clubs. They are modernising catering and drinking facilities and providing cabaret entertainment.

The proposed relaxation of licensing laws to provide longer drinking hours will benefit bingo clubs, too, the large operators believe.

Optimism in the industry remains high, especially since the popularity of newspaper games is on the wane. Many operators believe a relaxation in the present rules will be enacted.

The Zetters Group is emphasising its confidence in bingo by hiving off its bingo clubs to form a publicly-quoted company called Zetters Leisure, which aims to acquire other clubs.

Granada, however, is hedging its bets. It is looking to expand in the US where bingo is already a very popular game.

To avoid the complications of state gambling laws, the company has opened two clubs on Indian reservations, which are covered by federal rather than state laws.

Prison officers to vote on action over manning

BY JIMMY BURNS, LABOUR STAFF

THE PROSPECT of widespread disruption of Britain's jails before the end of the year loomed last night after leaders of the Prison Officers' Association announced they would ballot their 24,000 members on industrial action in their dispute over manning levels.

Mr John Bartell, POA chairman, told an emergency delegate conference yesterday that the prison dispute was now "at the crunch point" and that industrial action was necessary to draw public attention to overcrowding in prisons.

At the centre of the dispute is the association's claim that the Home Office is intending to appoint only 750 extra officers instead of the 950 it pledged as part of its new pay and conditions package known as Fresh Start.

"The Home Office is playing Russian roulette with future manpower and we are about to face the actual chamber in the barrel where the bullet is located. We are now at the crunch point," Mr Bartell said.

The Home Office claimed last night that POA leaders were misrepresenting the Government's position, although it said that it would wait for the results of the ballot before deciding what steps to take.

Mr Douglas Hurd, Home Secretary, has written to the POA this week stating the Government's intention to recruit 750 men by next February but promising to keep its position under review.

"It is inherent in a change as radical as Fresh Start that a fresh judgment is needed from time to time as fuller information becomes available...we continue to be committed to the basic principle that proper levels of staffing should be secured," Mr Hurd says.

Some delegates at yesterday's POA conference, including those from Brixton Prison in south London, Leeds Prison and the service's training college at Wakefield, indicated that their branches were opposed to industrial action because Fresh Start was working well for them.

However, the majority attending the conference appeared to be prepared to contemplate a repeat of last year's industrial action.

Mr Bartell, who earlier faced criticism from the conference floor for the leadership's handling of the dispute, was given a standing ovation when he appealed to prison officers to show "courage and unity of purpose."

NUPE orders biggest survey of membership

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE BIGGEST membership survey of a trade union is being prepared by Mori, the opinion research group, for the National Union of Public Employees.

Nupe is spending almost £30,000 on the exercise in one of the clearest signs yet that the unions are prepared to take positive action to broaden their appeal.

The survey is expected to involve more than 3,000 of Nupe's 657,000 members. A questionnaire will be followed by a review of communications, a more *intensive sub-survey of shop* stewards' views and face-to-face discussion with members in "focus groups."

Mr Tom Sawyer, Nupe's deputy general secretary, said yesterday that the exercise was aimed particularly at establishing the attitudes of rank-and-file members.

"All voluntary organisations are activist movements - we depend on activists," he said. "But sometimes the message we get from the activists may be different from the message from the membership as a whole."

Many Nupe members were part-time women workers employed at relatively isolated workplaces, and the survey would beespecially important *in reflecting their views on* the union and its services.

"I have my own strong hunch that we are not getting to these members as well as we should," Mr Sawyer said.

Clyde yard strike over 345 job losses

BY KEVIN BROWN

WORKERS AT the Scott Lithgow shipyard, on the lower Clyde, held a one-day strike yesterday after Trafalgar House, which owns the yard, announced 345 redundancies.

Trafalgar House said 324 hourly paid workers would have to go, together with 21 salaried staff. A further 280 employees working for subcontractors are also expected to leave the yard because of lack of work.

The walkout followed a stormy meeting of the existing workforce of 1,200. Local union officials have agreed to use all possible means to keep the yard open, but there was no indication that further action would be taken.

Trafalgar House said the redundancies had been made inevitable by the failure of the yard to attract orders since the completion of work on the container ship Atlantic Conveyer for Cunard, a Trafalgar House subsidiary.

Scott Lithgow has only one order left on its books - a drilling rig for Britoil - which is expect to move into deep water shortly for final preparation.

Trafalgar House said: "The future is very bleak indeed, and it is no real consolation to us that there are many others in this situation in shipbuilding."

The yard is expected to go on to a care and maintenance basis if no orders are placed before the Britoil rig is handed over. This could mean a further reduction in the workforce, to as few as 120 workers.

The latest redundancies follow a row between Scott Lithgow and Mr George Younger, the Defence Secretary, who told the yard to "get its act together" after rejecting a £12.5m bid for a contract to build three small ships for the Royal Navy.

The rejection of the bid, which had been reduced from about£20m, was seen by local union leaders as condemning the yard to closure, even though Scott Lithgow was offered the chance to submit a revised tender.

Scott Lithgow retains the capability to build conventional submarines, but has failed to win export orders for its Oberon Mark 6 design. The yard has been told by the Defence Ministry that it cannot be a lead yard for Royal Navy production.

Philip Bassett in Miami looks at how American workers are cashing in on cheap credit

Plastic union cards catch on in the US

NORVELL is an American worker living in Sioux City, Iowa. Aged 44, he has been driving a Greyhound bus for the last 16 years. He's a father of four and a long-standing member of the 94,000-strong Amalgamated Transit Union. He's also the one-millionth US trade unionist to hold a union credit card.

He sees no contradictions between being a member of his union, and the unions offering him credit facilities. 'Compared with other cards that I've held,' *he says, 'the union card offers* more advantages and fringe benefits. It's great.'

Mr Norvell is reasonably well-paid, reasonably secure in his job - a member of the so-called 'new collar' class in America; and exactly the kind of employee that the TUC in Britain would like to reach with its notion of harnessing the collective market power of 9.2m trade union members.

Among the proposals for the future of unions in the UK put forward by Mr Norman Willis, TUC general secretary, few have been greeted with such scepticism - derision in some cases, from some TUC unions - as his idea of a TUC credit card.

Not so in the US, from where Mr Willis got the notion. There, Union Privilege Benefit Programs (UPBP), a non-profit making arm of the AFL-CIO, the US equivalent of the TUC, estimates that the number of card holders will probably rise within 12 months to 2m, or 16 per cent of current affiliated membership.

'We've seen the criticisms - why don't you spend more time worrying about workplace conditions and less time worrying about credit cards?' says Mr *Ray Denison, UPBP president.* 'That is, if you develop this programme you are sacrificing your traditional role, or abandoning your principles.

'But I don't see a philosophical conflict: they're not exclusive. We're just extending trade unionism from the workplace to the marketplace.'

Since its launch in February last year, 65 unions have signed up and the union credit card has been a runaway success. The first mail shots 14 months ago produced the highest-ever response rate for a newly-issued credit card in the US: 20 per cent, instead of the normal rate for the industry of 1.5 to 2 per cent.

Mr Elgie Holstein, director of the Bankcard Holders of America consumer group, says the AFL-CIO card is a 'perfect example' of a low-interest credit card: 'They negotiated a deal for an affinity group credit card at low interest, and they got the low interest deal simply because they decided to get a good deal for their members.'

The union MasterCard, linked to the Bank of New York (Dellaware), allows union members to charge purchases to credit in two ways - either at true credit, *with an APR 5 per cent above* prime rate, with no annual fee, or using a minimum 25-day grace payment period, with APR 7.25 per cent above prime, with fees related to money spent.

The card also includes a skip payment option, which allows union holders to miss a payment if they are on strike for more than 30 days.

Among the advantages for the union are increased membership identification: unions with more than 300,000 members have their cards personalised with the union's name and insignia. Union-member communication is enhanced by a facility in the scheme for the union to include inserted messages

Crucially, it allows the unions to provide members with a service they find attractive. An AFL-CIO report on the card scheme says: 'It was not the intent of the unions to enter the credit card business, but in as much as most Americans use credit cards, union members should have the opportunity to obtain the best possible card at the lowest possible rate and enjoy the greatest potential for saving.'

For union members, the prin*cipal advantage of the union* card is its interest rate. At 13 per cent, it is well below the market rates of 18 to 21 per cent. The AFL-CIO estimates that savings to members from lower interest rates are running at \$30m (£18.75m) so far this year.

Mr Denison says: 'What is the point for a union of helping someone get a wage increase, and then they go outside and get skimmed? If the union can save them a percentage in the marketplace, then you're effectively securing for them that extra percentage as a further increase.

According to UPBP figures, the largest single use by union members so far of the card has been specifically to take advantage of its lower interest rate by transferring their current debt on other cards they hold to the union card, capitalising on the fact that if they transfer a debt from a card with an interest rate of 19 per cent to one of 13 per cent they are making a 30 per cent reduction in their loan costs.

UPBP says that test-market research suggests that on spending, the card is used mainly by union members for unusual or emergency payments, such *as a burst car tyre, or for fund*ing large-scale purchases, such as airline fares. The average outstanding balance on the union card is about \$800 (£500).

The AFL-CIO is now dealing with inquiries about its card scheme from union organisations outside the US, including some discreet feelers from some large TUC unions in the UK, and from commercial bodies interested in seizing the chance of servicing the union market in Britain.

'This is a historic new dimension to the American labor movement,' says Mr Denison. 'It's been very successful - and unions in other countries like the UK will develop programmes on similar lines.'

BT staff urged to accept deal to speed inquiries

BY CHARLES LEADBEATER, LABOUR STAFF

CLERICAL WORKERS at British Telecom are being recommended to accept an agreement which would allow the company to improve its service by introducing a streamlined procedure for dealing with inquiries backed by a a national computerised customer service system.

The workers, members of the National Communications Union are being consulted on a possible agreement which would pave the way for co-operation with the introduction of the system. The outline agreement covers job security guarantees, and a commitment to consult with the union on workers' involvement in job design and work organisation.

The proposed agreement has been fully endorsed by the NCU clerical group executive, according to the union's journal published yesterday.

Mr Billy McClory, the NCU clerical group secretary, said BT had cleared up union concerns over the potential job losses arising from the system's introduction and the future of the Co-operation in Change Agreement which guarantees no compulsory redundancies.

The company estimated possible job losses at about 4 per cent, or 900, clerical jobs as a result of through computerisa*tion. However the implementa*tion of the so-called Front Office initiative to streamline the handling of customer inquiries would create about 1,200 jobs, the NCU said.

Pilot trials of the computer service system had indicated job losses would probably be below the company's estimates, the union said. The Co-operation in Change Agreement has also been extended for a further two years to cover the implementation of the CSS.

Taken together the agreements would guarantee redeployment, training and retraining, as well as guaranteed protection of earnings, Mr McClory said. They would also mean no compulsory redundancies The union's consultation with its members will be completed early next month.

Glass workers strike over 5.4% pay offer

By Jimmy Burns, Labour Staff

WORKERS AT at a floatglass plant in St Helens, Merseyside, owned by Pilkington Brothers, the world's largest manufacturer of glass, staged a 24-hour strike yesterday in protest at a 5.4 per cent pay offer.

However the action by a quarter of the 900-strong workforce appears to have had only a limited effect because of the decision of the GMB general union, the majority union at the plant, not to support the strike.

No glass products left the factory yesterday as it was picketed by members of the AEU engineering union, the building union Ucatt, and the white-collar ASTMS.

However, the company claimed customers had received their normal supplies a day early, and production had not been disrupted.

Nevertheless the company agreed to resume talks yesterday in an attempt to stop action from spreading to its other floatglass plant at Greengate, also in Merseyside.

Scargill attacks South Wales NUM leadership

BY OUR LABOUR CORRESPONDENT

RIFTS WITHIN the National Union of Mineworkers blew into the open last night when Mr Arthur Scargill, NUM president, delivered a strong attack on the leadership of the union's South Wales area.

Speaking in South Wales, he said, it was "deeply disturbing to see the destructive and degenerate defeatism implicit in new realism operating in certain sections of my own union and to see it even in journals such as the South Wales Miner."

This journal, the official publication of the South Wales NUM, has been reflecting the growing friction between the area and Mr Scargill and his supporters over such issues as the extent of the NUM's present national overtime ban and British Coal's demand for agreement to six-day working at the planned Margam pit.

South Wales is against stepping-up the overtime ban, over British Coal's disciplinary code, and has led a so-far successful alliance of NUM areas opposed to Mr Scargill's call for tougher action.

The latest issue of South Wales Miner says pointedly that "a position similar to the 1984 strike...is not what our members voted for."

It also carries an article by Mr Kim Howells, the NUM area's research officer, proposing that the NUM "return to the mainstream of the labour and trade union movement" and warning: "We will continue to achieve nothing in isolation."

Mr Scargill, speaking last night in Merthyr Tydfil, likened this article to the arguments of union leaders who opposed socialist principles, accepted flexible working and supported single-union, no-strike deals.

He said: "If that is the kind of mainstream to which South Wales Miner refers, then God help us."

Mr Scargill also argued that the NUM and the labour movement faced a clear choice of submission to "the ravages of the capitalist state" or a fight back through solidarity.

FINANCIAL TIMES

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Saturday October 31 1987

A floor under the market

FEW THINGS more succinctly encapsulate the dramatic change in governmental attitudes to markets than the short history of the British Petroleum share offer. At the outset it was seen as the Thatcher Administration's most determined effort yet to sell the merits of market capitalism to the British people. Yet within the space of a mere two weeks this £7.2bn issue has become the subject of a highly unusual exercise in government intervention in the capital markets.

At the behest of Mr Nigel Lawson, the Chancellor, the Bank of England's role as lender of last resort to the banking system has been extended not only to British but to international investment institutions and securities firms. After the wild gyrations on the world's bourses over the past fortnight there are few takers for what President Reagan once called the magic of the markets; and some of the most ardent campaigners for deregulation were, predictably enough, among the more clamorous in their demands for a BP bale out.

Mr Lawson can at least claim that this ideological about-turn is not a rescue for the underwriters. He has merely put a floor under the BP share price *by arranging for* the *Bank of England* to buy back shares over a limited period at a price that is in line with the closing price on Thursday. The underwriters will thus incur substantial losses, while enjoying short-term protection from a further market slide. This has the merit of preserving the original point of the exercise, which was precisely to protect the Government and the taxpayer against market instability while ensuring that the market comes under less liquidity pressure.

Better compromise

The risk that the American investment *banks*, whose underwriting system left them more exposed to losses than the British, would depress the market by dumping BP shares in London, can now to some extent be controlled.

Certainly it looks a much better compromise than the proposal by Shadow Chancellor Mr John Smith that the share offer should be stopped *tout court* - a particularly odd suggestion to come from Labour, given that it would involve baling out not only the City but Wall Street at the taxpayer's expense. There does nonetheless remain a risk that one arm of government may end up buying frantically what another is selling busily, if the stock market slide resumes. And Mr Lawson has not so far provided an answer to the plight of the small private investors whose ignorance of the stock market *led* them to put in for the shares despite the crash in the BP share price.

Popular capitalism

The dangers of selling popular capitalism as a by-product of privatisation have never been more clear. Too much of the marketing emphasis has been on joining the party and making instant profits; too little on educating inexperienced investors in the real nature of a market in risk capital. By failing to strike a sensible balance on this score the Government has jeopardised one of the more important planks of its programme for a third term.

Ironically, the fact that private share ownership is not very widely dispersed in Britain affords some protection against the wider economic consequences of the market crash. Because such a high proportion of savings is undertaken through the medium of insurance companies and pension funds, the British people are less prone than their American counterparts to feel squeezed when share prices go down. At the same time, a financial system in which the big capital market risks are undertaken primarily by giant savings institutions instead of investment bankers is likely to be more robust in the face of stormy financial weather. That is why the British insurance fraternity was not pressing for the BP issue to be stopped, while the Wall Street bankers were pulling all available strings for a bale out. The Americans took on excessive risks in the heady atmosphere of a bull market. For them, the consequences of greed are inevitably more painful than for those who are simply putting other people's money at risk. That is not to say that the crash has been purely a matter of financial structure or *of technicalities. Markets have* been looking to governments for reassurance; and to a limited extent governments have provided it through exchange rate intervention since the Louvre Accord. But the result has simply been to transfer volatility to the capital markets, where the inconsistencies in US and international economic policy came home to roost a fortnight ago. The prerequesite for stable share prices remains the same now as then: a credible US fiscal package and a convincing message on what constitutes a sustainable level for the dollar, within a framework of wider international economic cooperation. Until we have that, the markets will retain the right to administer another salutary shock to all our systems.

Chancellor Lawson may have calmed the stock market with his BP safety net. But big questions remain, say **Max Wilkinson** and **Richard Tomkins**

Out of the valley of death but only just

THE BATTLE OF the British Petroleum share issue may have been quelled by the Lawson truce, but the scars of war will not be easily forgotten.

"This isn't about our losses at all," said one of the American underwriters whose firm stood to land a hefty slab of $240m (£139m) costs in midweek. "It's about a reasonably important financial power behaving with reckless disregard for the consequences of its actions.

"It's about the sheer Earl Cardigan lunacy of doing this offering into the mouths of the Russian guns. How can you work with people like that?"

The strain on transatlantic relations is not the only negative outcome of the BP affair. There is no doubt, that for all the Chancellor's fighting talk, the Government's privatisation strategy has suffered a serious reverse and that Britain's biggest company has itself has been dealt a mighty blow.

For BP, the last few days have brought a terrible reversal of the grand confidence of recent months. After completing the acquisition of Standard Oil of the US in one of the biggest deals in history, the company was confidently planning further expansion, backed by strong cash flow and a much wider equity base. Yesterday, it was wondering nervously whether a complete collapse of its share price might transform it from sleek predator into timorous prey.

The Bank of England's decision to guarantee a floor price for the 2.19bn new shares on issue should, coupled with the size and underlying strength of the company, protect it from unwelcome attacks. However, the sight of the Old Lady striding on to the pitch as long stop can hardly be reassuring to Sir Peter Walters, BP's chairman. He was notably cool about the Government's effort to hype up the UK market for the greatest share offer of all time, and has kept studiously out of the public eye during the sales campaign.

These new shares, valued at £7.2bn only a fortnight ago, are now, in the phrase of one Whitehall official, "a flotation chamber full of water", which could greatly hamper BP's ability to ride out future storms in the world's stock markets.

However, as Sir Peter and his senior executives surveyed the wreckage of the issue yesterday, they took bleak comfort from the fact that it might have been a lot worse. The basic structure of BP remains as sound as it was before the collapse in stock prices. Provided the oil price remains firm, it will forge ahead in the next year, generating cash from its major oil fields in Alaska and the North Sea.

Moreover, the fact that the offer was underwritten just before the market collapse, means that BP's £1.5bn rights issue, lashed together with the Government's share offering, represented a very cheap source of funds. This will be a substantial offset to the $4.7bn which it spent earlier this year buying the remaining 45 per cent of Standard at a price which now looks much too high.

BP's lack of a strong equity base in the US, and fears of political complications, forced it to make a cash offer for Standard rather than the more prudent share exchange. Then its ability to raise more equity in the UK was severely hampered by the prospect of a huge government share sale. Complicated negotiations were needed before a formula could be agreed for combining the two. The rights issue has reduced BP's debt to debt plus equity ratio *from* just under 40 per cent *to around 30 per cent. Without it* the company would have been in a much worse mess.

A US underwriter accuses the British Government of "mulish myopia" in imposing such a drain on resources when central banks are pumping in liquidity

In the absence of the Government's share flop, the worldwide collapse of stock prices would therefore have strengthened BP's ability to continue its desired path of expanding by acquisition. For the time being at least the company is likely to be constrained by the need to preserve every ounce of its financial strength to offset the waterlogging of its share price.

Meanwhile it will be particularly galling to Sir Peter who has spent the last six years getting BP into fighting trim, to watch the industry's standard bearer, Shell, increasing its relative lead. With huge cash reserves, and little debt, Shell's ability to scoop oil and gas assets into its capacious maw has been increased substantially. Exxon, too, emerges predictably strong, even though its recent policy of buying its own shares at the top of the market has cost it dear.

In the jostling for position which now follows, the Bank of England's guaranteed floor price for BP shares will therefore be a crucial prop; and the strong performance of the new partly paid shares at the start of trading yesterday afternoon must give the company some hope that a rebound back to a healthier comparative level from yesterday's 267p to the 300p zone (for the fully paid share) will take weeks rather than months.

Mr Lawson, for his part, must be praying devoutly that for the medium term, he will prove to have struck the right floor price when agreeing to the clever idea of making the Bank a buyer of last resort. He was clearly horrified by the possibility, however uncertain, that as trading in the new issue started, BP shares might spiral downwards into the hands of, say, the Kuwait Petroleum Company, or, who knows, some transatlantic takeover acrobat.

The Chancellor, however, could be forgiven a sense of *deja vu* when he stood to face the music in the Commons on Friday.

Five years ago, almost to the day, another privatisation issue - Britoil's - flopped. Like BP's, it was, at the time, Britain's biggest-ever share offering. It involved an oil company. And it was Nigel Lawson, then Energy Secretary, who stubbornly refused to withdraw the issue *when a sudden collapse in the oil price condemned it to failure.*

Then too, he took an aggressive line. "Britoil has now been successfully privatised on eminently fair terms for the taxpayer," he said - a reference to the fact that the actual proceeds were much higher than they would have been at the first-day closing price.

But the BP affair is much more serious. At £7.2bn, the offer was more than 13 times the size of Britoil's £549m issue and has entered the record books as the world's biggest international equity offering.

The BP sale also involved a far from ordinary advertising campaign, intended to promote a scramble by unsophisticated investors at a time when the stock market was approaching a historic peak in real terms and when perceptions of the US's difficulty in avoiding either a recession or a collapse of the dollar had been growing steadily more gloomy.

By mere good luck, the issue was left with the underwriters rather than with millions of voters, who would would have clamoured plausibly that the Government had created false expectations and should have understood the world economy better.

The Chancellor left the House of Commons in little doubt on Thursday night that it was from the US that the strongest criticism and pressure for a withdrawal had come. In contrast, the Government and the City emerged from the affair with an outbreak of hearty mutual back-slapping.

One reason for the difference in attitudes between the UK and US was the way the underwriting was done. In London, the 17 chief underwriters were able to lay off most of their risk among well over 400 sub-underwriters - insurance companies, pension funds and the like - so their individual exposure to losses was relatively small. In New York, however, the four US underwriters - Goldman Sachs, Morgan Stanley, Shearson Lehman and Salomon Brothers - bore the whole of their risk themselves.

The formal request for the withdrawal of the issue came from the 17 UK underwriters, not from the US. But the 17 said this was because they were the only parties empowered to make the request and they felt it right that the question should be aired. (The fact that some had taken on small tranches of sub-underwriting prompted cynics to suspect *an element of* self-interest, too.) The UK sub-underwriters, meanwhile, loudly trumpeted their willingness *to take their losses.*

The American view was that it was madness even to consider proceeding with the BP issue in the face of extreme fragility in the international financial markets. One of the US underwriters privately accused the British Government of "mulish myopia" in imposing such a drain on resources at a time when central banks around the world were trying to pump liquidity into the system.

In London, however, the City - or at least, that part of it without direct exposure to the BP underwriting - seemed to relish the discomfiture of its transatlantic cousins and put itself firmly on the side of the Treasury in dismissing the arguments for pulling the issue.

"The consequences of going ahead with the BP offer have been been blown up out of all proportion," said a leading UK equity market analyst.

"Let's just remember that the collapse in world stock markets was caused by a perception that the US trade deficit was out of control. The BP offer is just a side issue, the half-time interval in the football match: it's just a lot of girls in pom-poms marching across the pitch.

"The market's salvation rests on the outcome of negotiationsi between Reagan and Congress on the US budget deficit, not on the BP offering. BP is not going to make or break the London market, let alone the rest of the world's."

The reason for the unity of view between the Government and the City is not hard to see. Underwriting is normally a lucrative business and both parties would have faced an outcry if the City institutions had been let off the hook for this issue. The Treasury has probably reaped far higher proceeds by proceeding than it would have done by postponing. And the City feels that its willingness and ability to absorb the underwriting losses has reinforced its credibility as an international financial centre.

The Chancellor claimed with typical bravado that there would be many more privatisations. That may be. But even when equity markets stabilise, a major rethink of strategy will be necessary. Certainly the view from New York was that he would find it much more difficult and expensive - to obtain overseas underwriting in future. In the domestic market even for a veteran privatiser like the merchant bank, N.M.Rothschild, it would take some chutzpah to mount another television and poster spectacular like that intended to sell BP gas and electricity to the masses.

Mr David Willets, the former Treasury economist who is now head of the Conservative Centre for Policy Studies, thinks the consequence of the "Crash of 87" will be that small investors will be more inclined to go for steady yields than issues which offer the prospect of a quick capital gain. And he believes a move towards smaller flotations could help those who want to split up the Central Electricity Generating Board for sale rather than dispose of it in one block.

However although the BP debacle may set back the cause of wider share ownership, the Government's overall privatisation programme for this year and next looks secure. The stock already sold, including British Gas and BP will bring in tranches worth £5.2bn this year, *with another £4.4bn in the pipe*line for next year. In addition, £750m of Treasury loans to British Gas and British Telecom are due to be repaid this year or next year. So up to April 1988, about $11bn will be pouring into Mr Lawson's coffers even if nothing else is sold.

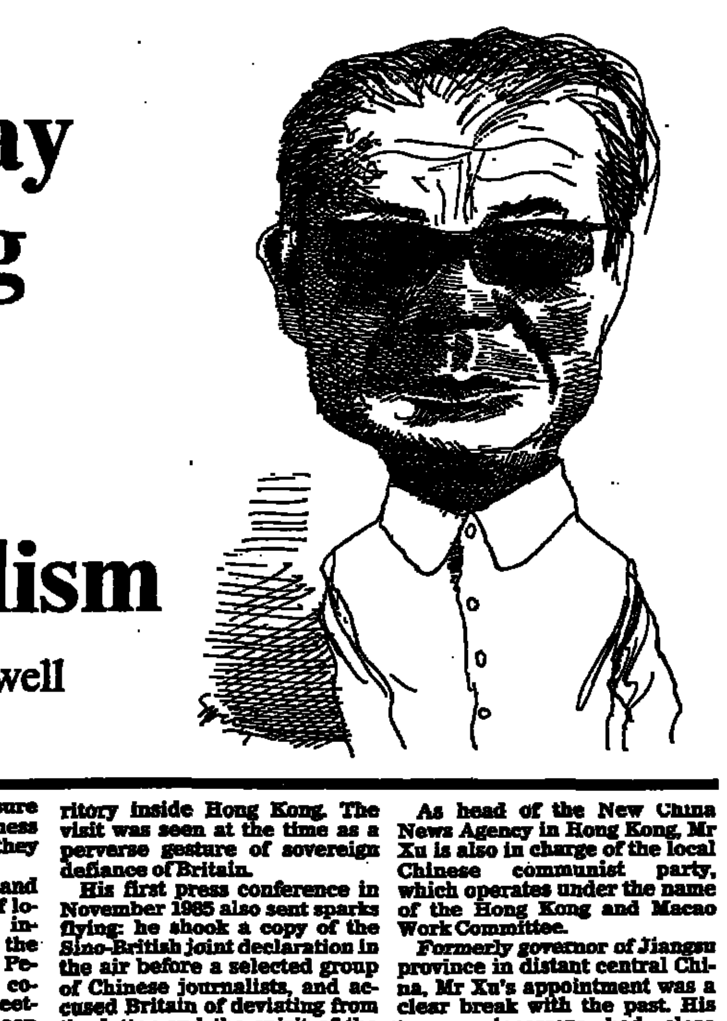
But that is mere Treasury book-keeping. The lesson that many will draw from the BP debacle is that the success of privatisation was due at least in part to a speculative bubble that has now burst, that stocks and shares are risky, and that Her Majesty's Government has been somewhat disingenuous in backing advertising campaigns which suggest they are a cert.

Man in the News

Xu Jiatun

The day Peking did its bit for capitalism

By David Dodwell in Hong Kong



ON MONDAY, as Hong Kong's stock market plunged more than 1,100 points, Xu Jiatun, the 71-year-old head of Peking's unofficial embassy in Hong Kong, slipped away from a critical party congress on the mainland and took the first available flight to Hong Kong.

In the following 12 hours, Mr Xu, who heads the New China News Agency in the territory, learned more about stocks, shares and futures contracts than in the whole of his previous four years in Hong Kong. He was briefed on an informal basis by Mr Willie Purves, chairman of the Hongkong and Shanghai Banking Corporation. Mr David Ford, Hong Kong's acting governor, brought him fully up to date on the crisis.

By the time he stepped back on a Peking-bound aircraft the next day, he had arranged for the Bank of China to take a one-third share in a HK$1bn (£75.8m) "lifeboat" fund for the territory's futures exchange.

Mr Xu has climbed a steep learning curve since arriving from Guangzhou (Canton) in June 1983 with unruly swept-back hair, the open-necked summer shirt which is the hallmark of senior party cadres, his eyes hidden behind the dark glasses beloved by China's menacing traffic police.

His intervention in last week's rescue exercise highlights a new mood of stylised cooperation between local and Chinese officials in the run-up to 1997, when China will regain sovereignty over the territory.

The timing was exquisite. Hong Kong's financial crisis had been looming for almost a week; an initial HK$2bn rescue fund was arranged at high speed and entirely through local efforts.

China's officials and bankers in Hong Kong were not invited to take part in this first phase - in part because of their reputation for reaching decisions slowly, and in part because officials on both sides feared the impact on confidence if the Chinese were seen to be too eager to interfere.

Local officials felt that diplomatic niceties were better served by inviting the Bank of China to join the second phase of support, and it is a measure of Peking's increasing alertness to local sensitivities that they agreed.

What was not expected - and indeed stunned a number of local bankers and officials involved in the rescue - was the speed with which Mr Xu got Peking to act. This spirit of cooperation - not to mention fleetness of foot - would have been out of the question four years ago.

Mr Xu has not always been so cooperative. Local political figures recall that soon after his arrival, he made a widely-publicised visit to the Kowloon walled city - a squalid quadrangle of brothels, one-time opium dens and illegal dental surgeries that for quirky reasons remains Chinese sovereign territory inside Hong Kong. The visit was seen at the time as a perverse gesture of sovereign defiance of Britain.

His first press conference in November 1985 also sent sparks flying: he shook a copy of the Sino-British joint declaration in the air before a selected group of Chinese journalists, and accused Britain of deviating from the letter and the spirit of the declaration.

This attack began two years of concerted Chinese resistance against local proposals for political reform. The resistance climaxed last summer in an extensive effort to persuade local people to reject calls for direct elections before the 1990s, when China's own mini-constitution for Hong Kong will be ready.

As head of the New China News Agency in Hong Kong, Mr Xu is also in charge of the local Chinese communist party, which operates under the name of the Hong Kong and Macao Work Committee.

Formerly governor of Jiangsu province in distant central China, Mr Xu's appointment was a clear break with the past. His two predecessors had close links with the so-called "East River gang" in Guangdong province, neighbouring Hong Kong. With its base in the Cantonese-speaking south of the country, this group - which controlled the local communist party - had long been seen as reluctant to respond to directives from Peking.

Over the past four years, Mr Xu has successfully pushed this gang aside, replacing it with a combination of mainland and local officials in a reorganised agency which has 10 departments that mirror departments in the Hong Kong government administration. Some local politicians have suggested this is intended to be a "shadow government", preparing to replace the existing colonial government in 1997 - but this is perhaps too machiavellian an assessment.

Mr Xu has also overseen rapid growth in the economic and financial interdependence of China and Hong Kong. A total of 140 mainland companies now have an official presence in the colony.

Most notable perhaps has been the dizzying growth over the past three years of the 13 "sister banks" that operate under the umbrella of the Bank of China. Their drive for an enhanced share of local loan business has generated anxiety and antagonism among competing banks.

It is a measure of the Bank of China's conservatism - despite its drive for growth - that it and stockbrokers like Chung Mao which are linked with it, appear to have emerged unscathed from the current crisis. While other banks have been lending to speculators in the equity market, the Bank's preference for mortgage business and industrial loans means it does not now face repayment problems.

It is not clear whether Mr Xu played any part in steering the Bank of China in this direction, although it is known that friendly bankers had forewarned him of overheating in the equity markets.

Whatever his involvement, it is all likely to prove valuable experience for what Hong Kong's Chinese newspapers are suggesting Mr Xu wants as his next appointment - the first Governorship of Hainan after it is given provincial autonomy from Guangdong. Former leaders on this tropical island off China's southern coast have gained notoriety recently for currency speculation and black market trading.

The lessons learned in Hong Kong's anything-goes economy - not least the lessons of the past two weeks - will no doubt stand him in good stead.

Peter Riddell looks back at a turbulent week for the Government

Tory populism in action

IT HAS been a extraordinary week for the Tories. The market upheavals may have attracted most attention - but there have been other political events with far-reaching consequences for the British Government.

Chief among them was Mr Nigel Lawson's ingenious solution to the BP share flotation. It may not have been popular capitalism, but it was certainly Tory populism in action.

With all the drama and emotion of a packed Commons chamber late at night, Mr Lawson won unusually warm plaudits from his own side ("brilliant", "wise"), with one backbencher even suggesting he had arranged potentially the greatest short sale in history.

Mr Lawson has also wrongfooted the opposition, for all Mr John Smith's sharpness in pointing out that BP was the first privatisation which had renationalisation built into it. As that acute follower of the markets, Mr Dennis Skinner, has pointed out, the Labour leadership has been torn since a blanket condemnation of privatisation would have implied cancelling the issue, to the benefit of the underwriters.

It is not often that a Conservative Chancellor can accuse Labour of wanting to hand £1bn to City underwriters: "We know that the Labour Party today are simply the friends of Goldman Sachs." And Mr Lawson made plain his annoyance with the overseas underwriters.

In any other week, there would have been a lot more discussion of the resignation of Lord Havers as Lord Chancellor. He quit because of recurrent health problems, but was apparently offered little choice. Senior ministers felt a firmer grip was needed, especially on major legislation, from the new Lord Chancellor, Lord Mackay of Clashfern.

This week has also seen a further engagement in the fierce battle for influence in Downing Street. The unexpected decision of Lord Young, the Trade and Industry Secretary, to withdraw from consideration as Conservative Party chairman is part of a lengthy power struggle. This has been about much more than the chairmanship of the party organisation - a business with turnover of £8m a year employing 170 people.

The argument has been about who has the Prime Minister's ear. It has been compared to the manoeuvrings at a medieval court where the sovereign remains, but the courtiers move in and out of favour (Mr John Biffen, Mr Cecil Parkinson, Mr Norman Tebbit and Lord Young). And some long-standing servants of the state (Lord Whitelaw, Sir Geoffrey Howe and Mr John Wakeham) remain in positions of influence, never challenging the ruler.

At the heart of the battle has been a clash of personalities. Relations between Mrs Thatcher and Mr Tebbit cooled in the summer of 1986, partly because of his increasingly independent stand and partly because of her worries over organisational weaknesses in Conservative Central Office. This spring, shortly before the election campaign, Lord Young was put into Central Office by Mrs Thatcher. While Mr Tebbit undoubtedly has a clear strategic view, he is not a natural manager.

The result during the election campaign was somewhat chaotic with a divided leadership and secret briefing of Mrs Thatcher. Bitterness was increased by an intense rivalry between advertising agencies.

So when Lord Young's name began to be mentioned as a possible successor, there was bound to be opposition. Mr Tebbit, who was ironically as responsible as anyone for bringing Lord Young into public life, made no secret of his belief that his former protegee should not combine the chairmanship with being Trade and Industry Secretary.

The same point was taken up by the Cabinet old guard - the Whitelaw/Wakeham axis, reinforced by chief whip Mr David Waddington. They pointed to a possible conflict of interest between Lord Young's ministerial responsibilities for regulating the City and the chairman's role in raising money from business.

Mrs Thatcher, however, wanted Lord Young as chairman since she valued his organisational abilities. Until this week it looked as if she would get her way. But the continued opposition of the old guard, plus the intervention of Sir Patrick Mayhew, the attorney general, persuaded Lord Young to step down - especially when he rejected a compromise plan to transfer some of his regulatory responsibilities.

Mrs Thatcher was left in the somewhat embarrassing position yesterday of asking Mr Tebbit to stay on for a week while she found someone else. The choice is between a Cabinet minister like Mr George Younger or Mr Norman Fowler, or a minister of state, like Mr Peter Brooke from the Treasury, as an interim move until a more senior figure is appointed nearer the election.

There is no doubt that there is a lot to do at Central Office. Staff morale is low, there are competing departmental baronies, as well as financial problems (the Tories continue to lag behind the SDP in direct mail fund-raising) and an absence of clear direction. Mr Tebbit has already undertaken a review, leading to a focusing of resources on the inner cities. Whoever becomes chairman, a chief executive is likely to be appointed to streamline the organisation and supervise a move of offices.

The withdrawal of Lord Young can be seen as further evidence that Mrs Thatcher has to carry her senior colleagues more often than is supposed. It is also a reminder that the Whitelaw/Wakeham axis still counts in crunch decisions in limiting the power of outsiders. Lord Young may also have overplayed his hand [illegible]tions.

Yet, for all the fascination of these behind-the-scenes manoeuvrings, the Government's main concern is with the implication of the upheavals in the markets. Mr Lawson certainly had a triumph on Thursday night, but that does not solve any of the underlying problems and the gloss has, for the time being, been taken off the wider share ownership programme.

Mr Lawson will undoubtedly have a reassuring message about the state of the British economy and of public finances in his autumn statement on Tuesday, but as important will be the caveats about world trade and exchange rates.

For the first time since 1981, the opposition parties (and that means just Labour, with the Alliance in continuing disarray) scent the possibility that the economic and political mood may be starting to change. Thanks to Mr Lawson, the Government has not so far been seriously shaken by the market crisis. Yet, the post-election triumphalism of the summer may be beginning to wear off.

Philip Bassett, at a congress of US labour leaders in Miami, sees modest signs of a revival

'We win because we will not quit'

INSIDE THE peach and pink conference centre of a luxury Miami Beach hotel, an American marching band is pumping out a mixture of jazz and Sousa martial music to herald the 17th biennial convention of the AFL-CIO, the confederation of US trade unions.

Outside, America marches to the beat of a different drum. US employers and employees alike consider labour unions largely an irrelevance. Buffeted by economic, social, industrial and political change, unions in the US have long been in decline: in 1945, they organised 35 per cent of the US workforce; that figure has since fallen to only 17 per cent.

But this week, for the first time in most union leaders' memories, the talk is of rises rather than reverses, successes rather than setbacks.

"The labour movement is here to stay," says Lane Kirkland, AFL-CIO president. "We have survived every trial by ordeal so far, and those who seek our extinction should take heed: we win because we will not quit." Charles McDonald, another senior AFL-CIO man, says that this year could be a "real turning point" for the unions, and points to some "encouraging signs":

- In the public sector, air traffic controllers have voted overwhelmingly in favour of a newly-formed union, six years after President Reagan fired 11,000 of them, and broke their union.
- In the private sector, 25 years after a publishing company derecognised five unions in a bitter strike, employees at Arcata Graphics in Kingston, Tennessee voted two to one for a union - the largest recognition victory in five years involving the Government's National Labour Relations Board.
- In Indianola, Mississippi, a largely anti-union area, mainly black and female workers at two catfish processing plants voted for union representation.
- Adolph Coors, the beer company, agreed to union elections and other union conditions after a 10-year union boycott campaign.
- In a surprise eve-of-convention move, the controversial Teamsters' union - the largest in the US, and still beset by corruption - reaffiliated with the AFL-CIO after 30 years apart. This will boost affiliated membership to 14.3m.

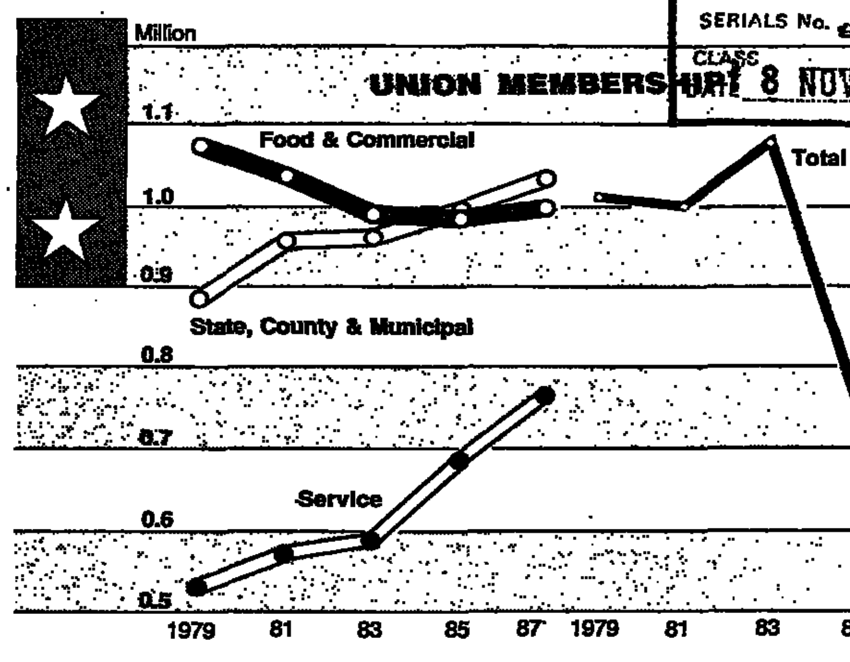
Straws in a very harsh wind, perhaps. They stem, according to Thomas Donahue, AFL-CIO secretary-treasurer, "from the hard work and effort that has been going forward over the last five years to strengthen our institutions, re-design our methods and broaden the appeal and increase the services and benefits that unions offer."

They can be traced back to a landmark initiative two years ago - a report called The Changing Situation of Workers and Their Unions - aimed at motivating unions in the US to seize what could be their last chance.

The Miami convention is the first to look at the practical results of the initiative: greater emphasis on organising, including a system to give individual unions a clear run at recruitment and recognition in non-union companies, free from damaging inter-union competition; an improved package of union benefits (1m members now hold union credit cards); a programme of reduced-dues associate membership, union benefits for those who have moved out of unionised work; and a two year, $13m campaign called "Union, Yes" - the slogan of the Miami conference - to sell unionism to the American people.

The unions are clutching at every sign of improvement: the decline in membership seems to be slowing, with overall AFL-CIO membership falling only 3 per cent between 1985 and 1987, compared with 5 per cent in the two years to 1985. And union recognition elections have showed net gains for the unions at the same time as the number of union members lost through de-recognition has fallen to a seven-year low.

Yet serious questions remain about the unions' long-term role. In the main, US employers neither want nor need unions. Employers continue to buy in expensive union-busting consultants to counter union attempts to win NLRB recognition elections.



Such strategies are still popular, and successful - the recent National Football League strike, which was broken through the use of replacement players, is one example.

But the unions, too, have their strengths - especially in the political arena. With the Reagan presidency in trouble and the Democrats in control on Capitol Hill, the unions have seen an extensive programme of pro-labour legislation put before Congress covering issues such as notice of plant closures, occupational diseases, parental and medical leave, the use of lie detectors at work, the statutory minimum wage and controversial non-union practices in the construction industry. In the words of Senator Edward Kennedy, former presidential hopeful and now chairman of the Senate's Labour Committee: "America today stands poised on the threshold of a new era in workers' rights."

Other trends may also be running the unions' way. Tightening labour markets are leading to exploitable skill shortages in some areas: at the Burger King fast food chain in Massachusetts, for example, managers put job application forms on customers' placemats. If forecasts of a much more slowly expanding workforce to the end of the century prove correct, such trends will be accentuated.

US unions are starting to exploit this situation by focusing on training and other programmes, with an eye to making ground among the 20m-strong educational underclass of illiterate Americans, and, as the Amalgamated Clothing and Textile Union has done, joining with employers to invest in research into new technology in a bid to save industries.

The unions' tone remains cautious; the AFL-CIO's report to the convention limits itself to the sober statement that "a string of successes in organising, legislative and political work in 1987 bode well" for workers and their unions. Union leaders acknowledge that while the recent advances have been satisfying, they have hardly been massive in scope.

The labour movement may be a long way from popping the champagne corks to celebrate its comeback; but its long term decline may at last have bottomed out. Given the American traditions of enterprise and individualism, unions in the US will never be a dominant social force. But as Lane Kirkland says: "We are today on the road again - to a resurgent labour movement, with growing numbers, stronger organisations, deeper solidarity, and a voice that will be heard."

Letters to the Editor

Stabilisation scheme

From Mr G Gardiner

Sir, - Professor Buiter's idea for a stock market stabilisation fund (October 22) to be run by the government (meaning of course academic economists recruited to the civil service) is sheer folly for many reasons, not least that there is no one clever enough to perform the task. The analogy with exchange rate stabilisation is hilarious because the government's perception of the correct exchange rate has been regularly wrong for over 60 years. Also it has been proved that market forces win in the end, and the same would happen with regard to stock market values.

It is unfortunate that foolish speculation can occasionally cause crises. They are only serious if someone takes them seriously. They are best ignored and stomached as part of the necessary evolutionary process among speculators. Foolish speculators soon lose their shirts and thereby cease to be a menace. They should be allowed to do so. Successful speculators survive and thrive and stabilise markets.

In the current fiasco the substantial losers may not be those fund managers who thought they could sit back and leave it all to the computer, forgetting that numerous other fund managers have bought the same computer program so that they will all do the same things at the same time with a chaotic result. Luckily the computers are almost certainly programmed to buy when the fall has gone a predetermined distance, and the resulting upward surge will be certain and violent, except possibly in the UK. A serious problem will arise only if the fund managers obey the SEC's request to switch off the computer programs.

The idea that the British government could stabilise the market is particularly senseless in this instance because it is government action that triggered the instability. When a government sells capital assets in order to spend the proceeds on current expenditure it is a rule of economics that there must be a matching reduction in current expenditure by the public in order to finance the purchase of financial assets. That is, government improvidence must be matched by private saving. As there has been a tendency for too much saving by the personal sector of the economy the privatisation sales have till now been a useful corrective, but the BP issue pushed things too far: it probably represented an attempt to push the sale of assets by the government to a point beyond the personal sector's willingness to invest savings in company securities.

The effect is similar to the result of imposing a capital tax such as a wealth tax. One recalls that in the early 1970s it was two professors of economics who published a paper advocating a wealth tax which was expected to raise an annual sum which, apparently unknown to the professors, was beyond the sum then being devoted by the personal sector to the purchase of financial assets. It requires only a tiny mismatch of the propensity to sell capital assets to the propensity to buy them for the market to go into free fall. One reminds readers that it was the unprecedented attempt by the insurance and superannuation funds to become net sellers of about £60m of company securities in the last quarter of 1974 that caused a stock market crash.

I am absolutely certain that no government, no civil servants, and among academic economists only the ghost of the late Lord Keynes, could successfully operate a stock market stabilisation fund. But that is not to say that the government should recklessly do things which destabilise stock markets. Focing the underwriters to take up the BP issue will weaken the market for some time: it should be cancelled and turned into a tap issue to be marketed to private individuals like National Savings Certificates. That would achieve the government's objective of widening share ownership.

Although over hasty privatisation is a danger to stock market stability, I think that the 1965 Finance Act will continue to hold the record for damaging the market for company securities.

Geoffrey W. Gardiner,
3, Molly Potts Close,
Knutsford,
Cheshire

The message of the markets

From Stephany Griffith-Jones.

Sir,- Michael Prowse's excellent article of October 29 "The message of the markets" very lucidly analyses the long-term policy implications that should emerge from the fall in the world stock markets. If "laissez faire" policies have worked badly in a number of spheres, it would seem logical that markets be regulated and managed again to a greater extent by governments.

The difficulty, as usual, is the time lag between changes in perceived desirable policy criteria and their implementation. For a shift to occur towards greater management of the market, either the current industrial governments would have to quite dramatically change their free-market analysis and policies and/or we would have to wait till they are replaced by political parties less constrained by a dogmatic belief in the virtues of unfettered market forces in all places. There are some indications of the first trend, eg in the attempt to manage exchange rates by industrial governments, but the moves are too timid and too slow. Opposition parties have not given enough thought to the increasingly urgent issue of alternative "market management" schemes, for example of private international financial flows.

Lucid analysis like that of Michael Prowse is clearly a key necessary, but not a sufficient condition for policy change. It is the minds of politicians - and their electorates - as well as that of senior civil servants which need to be changed. Let us hope that such changes occur with the necessary speed to avoid further international economic disruptions.

Stephany Griffith-Jones,
Institute of Development Studies,
University of Sussex, Brighton.

Charlie better up north

From Mr J Stern.

Sir,-It is good that, having concentrated on business during the week, the Saturday paper gives room to sports news. You will however have to do better than the ill-informed article by Brian Bollen on the tenure of Charlie Nicholas at Arsenal (October 24).

As one who has watched the club regularly over the past several seasons, the only points of agreement are that Charlie was bought to score goals and that, sadly, he has never fulfilled the potential he showed in Scotland. It is absolutely untrue that the club forced him to play in midfield. Successive managers gave him every chance, playing him anywhere and everywhere, to see if he could provide the goalscoring service that they needed. My conclusion is that although he has the skills in abundance, he does not possess the bite in the tackle to get through First Division defences and the application to keep trying throughout an entire game.

Let us return to goal scoring. When Nicholas was dropped after the first three games of the season the team had scored just one goal. In the next nine games Arsenal has scored 21 goals (only Liverpool have scored more), and risen to third in the League. The early dearth of goals was not all Charlie's fault, but subsequent events show that other talents are delivering goods that he did not.

Maybe Bollen is right that the player should have returned north when offered the chance. Maybe he is right that Liverpool would originally have been a better choice (although I doubt it). But he is not right to say that Arsenal have somehow wrecked a great talent. Sadly Charlie has never displayed that talent on a sustained basis south of the border and that is why there are no takers for his services at present.

Jonathon P Stern,
157 Stapleton Hall Road, N4.

BA - BCal merger

From the Managing Director, Air UK.

Sir,- In his article of October 26 on the proposed BA/Bcal merger, Michael Donne quotes Sir Colin Marshall, chief executive of British Airways, as saying, "Some of our British competitors claim we are too big, but we look at some of our international competitors and feel very strongly we are too small". It would be interesting to know who these international competitors are. They are certainly not those listed in the table at the bottom of the same article, since the huge numbers of scheduled passengers shown against each airline are carried overwhelmingly or exclusively on domestic routes where British Airways does not compete.

Similarly, the vast majority of the 17m passengers carried by British Airways in 1986 was on domestic or European routes where the competition from the listed mega carriers is either negligible or non existent. It is true that the US carriers may have ambitions to expand their international operations, but the fact is that except on the north Atlantic routes British Airways is largely protected by the system of bilateral air services agreements which restrict or prohibit such competition. Moreover, it will be many years if ever before most of these agreements and their restrictive clauses disappear.

The main objection to the BA/BCal merger however, is the effect it would have in the UK domestic and European markets where the mega carrier argument simply does not apply. On the UK domestic routes the merger would eliminate an important element of competition on the main trunk routes from London which hitherto has been provided by Bcal out of Gatwick. Similarly, BCal has offered alternative opportunities out of Gatwick to the nearer European destinations like Amsterdam, Paris, Brussels and Frankfurt. As proposed, the merger would give British Airways control of these routes in addition to its existing parallel routes out of Heathrow.

The fact is that the independent airlines have been an irritant to British Airways and its predecessors since the early 1960s when changes in legislation allowed them to make modest encroachment on what had hitherto been the state corporation's exclusive preserve. The merger with BCal would get rid of the major part of that irritant at a stroke. At the same time it would give BCal's shareholders a return on their investment - a prospect which must previously have seemed increasingly remote. It is not therefore surprising that the two parties were so keen to see the merger rushed through without even a reference to the Monopolies and Mergers Commission.

If the merger does go through it is crucial to the preservation of competition on scheduled services within the UK and into Europe that BCal's previous role in these areas is transferred to other British airlines.

Stephen Hanscombe,
Cross Keys House, Haslett Avenue,
Crawley, Sussex.

Saddened by Lester

From Mrs M Beale.

Sir,- May I say how much I agree with Justinian's article of October 26.

I have been saddened by the savage sentence imposed on Lester Piggott - he never stole from anyone or beat up old women, or abused small children - so why fill our prisons with someone whose freedom does no one any harm.

He is probably one of the greatest horsmen of all time, but probably not a man of reason or impartial intellect - I think his gut instinct is to stick to every penny he earns. After all he has earned them with 'blood, sweat and tears', broken bones and starvation, and with a unique understanding of horses and racing.

Throughout history, horsemanship has been valued and admired and Lester Piggott by his achievements has added to our national prestige, but all we do is pick on him, among many transgressors, imprison him and possibly deprive him of his livelihood.

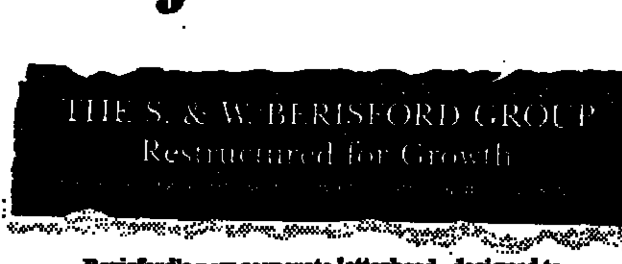
I for one will still admire him for his courage and lament the penalties imposed on him, as Gilbert and Sullivan said "Let the punishment fit the crime, the punishment fit the crime". It does not seem that this has happened.

Mrs M R Beale,
Whitehall, Wraysbury,
Nr Staines, Middlesex.

Berisford adjusts line on ABF bid

BY CLAY HARRIS

S & W Berisford directors had little choice but to shift their official stance towards the £767m bid by Associated British Foods from forthright rejection to grudging neutrality. With the sugar group's shares trading below 365p earlier this week, urging shareholders to spurn ABF's 400p cash offer could well have been challenged as neglect of fiduciary responsibility.



Berisford's new corporate letterhead - designed to bolster the bid defence

In the hope that the stock market may recover sufficiently before the bid closes to shift attention to arguments other than price, Berisford yesterday published a defence document which emphasises what it claims is a "fundamental restructuring" of the group during the last 18 months.

Because its end-September financial year closed only a day before ABF launched its bid, Berisford said a group profits forecast would not be available until mid-November. However, its wholly-owned British Sugar subsidiary yesterday reported a 26.3 per cent increase in pre-tax profits to £72.1m.

Berisford devoted two pages to rebutting what it described as "wrong or misleading statements" by ABF.

It criticised, for example, the implication that the sale of food subsidiaries to Hunter Saphir and the creation of a cocoa-processing joint venture with W.R. Grace revealed a critical need for cash. A maximum of £2.2m of the total £82m would be received in cash, Berisford said.

Reference to a "fragile balance sheet," moreover, reflected ABF's inability to understand its business, Berisford said. A substantial portion of borrowings related to commodity and finance-related activities "which are customarily highly geared."

British Sugar's payment of £140m in dividends to its parent over five years - criticised by ABF - had taken place only after capital spending of £165m, with another £46m planned for 1987-88. They provided "no more than an adequate return on Berisford's investment."

Berisford conceded that British Sugar's pre-interest profits have declined every year from acquisition to 1986, but said this was misleading because it did not focus on the pre-tax advance reported for 1986, and now 1987.

The group has made total provisions of £38.3m relating to the closing out of its tin contracts on the London Metal Exchange, but had been advised that it had a "reasonable chance" of recovering about £21.5m claimed from the International Tin Council and its government members.

It also revealed that Brink's Mat, the security company, has begun legal proceedings against TVA Silver Extractors, a Berisford subsidiary, in respect of gold alleged to have been stolen in the £26m Heathrow warehouse robbery in 1983. Since then TVA's Midlands-based precious metals smelting business has been sold to its management. The chance of a material loss was described as slight.

Berisford did not expect any liability arising from its US subsidiary Erlanger & Co's receipt and subsequent return of a £1.5m advance commission payment from Guinness.

Buoyant mortgage market lifts NHL to £11.1m

by Hugo Dixon

National Home Loans Corporation, listed mortgage lender, made pre-tax profits of £11.1m in the year to September 30, up from £2.8m in the previous 16 months. The results were much in line with expectations and the company's share price rose 5p to 183p.

The growth in profits, in what was NHL's second year of operation, was achieved on the back of extremely buoyant conditions in the mortgage market. During the year, the company benefited from a wide margin between its cost of funds and the mortgage rate and was able to expand the size of its mortgage book from £223m to £993m.

Net interest income was £14.9m (£4.8m). There was also strong growth in "other operating income", which increased to £2.7m (£0.4m).

This other income consisted largely of fees for managing a growing number of mortgages for third parties. NHL is administering £174m in mortgages on behalf of Barclays Bank. It has a similar but much smaller arrangement with TSB Scotland and several other deals are being negotiated with foreign banks.

NHL also receives fee income for administering mortgages which it has securitised. During the year, it removed £90m from its balance sheet in this way. Since then it has securitised a further £270m.

Operating expenses grew sharply over the year to £6.5m (£2.4m), as NHL geared itself up to handle larger volumes of business. Economies of scale, however, meant that operating expenses as a proportion of mean mortgage assets fell from 1.2 per cent to 0.97 per cent.

Staff numbers have grown from 84 to 316 and new computers have been bought. Over the next two years, about £8m will be spent on a new four-acre administration centre in Solihull, to which the company's operations will be transferred in 1990.

NHL said it thought it now had about 3.5 per cent of Britain's new mortgage market and was generating mortgages at the rate of £145m a month. These are being written either onto its own books, written onto the books of other lenders or securitised.

The company said that it had negligible bad debts and did not expect any losses from mortgage fraud.

Profits after tax were £7.1m (£1.7m), giving earnings per share of 11.2p (3.4p) on a fully-diluted basis. A final dividend of 3.28p (1.15p) was declared.

•comment

This year NHL has had everything going its way. Building societies, which have traditionally dominated the mortgage market, have not been able to raise enough money from small investors to finance home loans. As a result, their market share slid and the margin between money market rates and the mortgage rate widened - both good news for NHL. Following the crash, however, societies will be flush with small investors' funds and the whole picture reversed. NHL can still expect some profit growth, but much more than £15m next year - or 10½p per share on a fully-diluted basis - is not realistic. At 183p, the shares are fully priced.

Globe Investment boosts profits 12.5% to £12.4m

BY MARTIN DICKSON

Globe Investment Trust, Britain's biggest investment trust, yesterday reported a 12.5 per cent increase in attributable profits for the six months to September 30. But it said it was too early to say how it had performed relative to the sector since the collapse of the stock market on October 19.

Mr David Hardy, chairman, gave no precise figures on the fall in the trust's net asset value since the crash, but he believed that up to yesterday morning it was down by roughly 25 per cent, compared with a drop in the FT-All Share index of about 28 per cent.

Globe had been cushioned, he said, by its portfolio of unquoted investments, which now account for about 12 per cent of assets, the fact that it had built up a £100m cash position in recent months - about 10 per cent of assets - and the fact that the Japanese market had not fallen as sharply.

Mr James West, managing director, said that Globe would want to retain its strong cash position until the economic outlook became clearer. The knock-on effect of America's problems on the UK meant that Globe had cut its estimate of Britain's profits growth for 1988 from 15 per cent to 10 per cent, with dividend growth down from 12 per cent to 8 per cent.

Globe has underwritten about £21m of the British Petroleum issue, on which it yesterday faced a notional loss of about £3m.

Group attributable profits for the six months totalled £12.4m, against £11m in the same period of the previous year. Earnings per share on a fully diluted basis were up 11.48 per cent at 2.33p (2.09p). The net asset value per share on September 30 totalled 236.19p basic and 232.25p fully diluted, against 196.64 and 192.02p on March 31.

The interim dividend is 1.52p, up 10.14 per cent on the 1.38p at the same time last year, which the company said reinforced its commitment to increasing dividends in real terms.

•comment

Globe's sheer size and generalist nature has long given it a rather boring image, as a supertanker of the investment trust sector, very much linked to the All-Share and unable to produce the outperformance possible for its smaller brethren. But what is dull in a bull market assumes the virtue of solid reliability when times turn hard. And Globe's investment policies have added attractions in the current climate - its heavy concentration on the relatively strong UK economy; its build up of unquoted investments, which, though potentially volatile, shield nav in a falling market; and its emphasis on large stakes in a limited number of quality stocks. Yesterday's interim figures - of limited relevance in a world which has since witnessed the great crash - produced no real surprises, and the 9p rise in the share price, to 144p, reflected the general rise in the market, buying by the Coal Board pension fund and a realisation that the recent drop in Globe's share price had been greater than that in nav. The prospective yield is 4.3 and the shares now stand on a discount to nav of about 20 per cent - still above the average for generalist trusts, but then Globe has not been subject to bid speculation.

Strong growth at Portsmouth Sunderland

BY FIONA THOMPSON

HALFTIME profits from the Portsmouth and Sunderland Newspapers group, printer and publisher, showed strong growth, moving ahead from £948,000 to £2.49m in the period to September 26. Earnings per share rose from 4.8p to 13.1p.

"We have had a very good first half," said Mr Charles Brims, chief executive. The profits increase was due principally to higher advertising and contract printing sales.

Advertising revenue, which represented about 42 per cent of turnover, had grown by more than 20 per cent on last year's first half. Contract printing sales were up 50 per cent and accounted for 19 per cent of turnover. This time last year the company printed 80,000 copies a day of The Guardian. It now, in addition, printed 165,000 copies a day of The Independent and 400,000 each week of The Observer.

Printing capacity at Portsmouth was now full but the company was looking for another daily to print at Sunderland.

The retail side showed good, steady progress, said Mr Brims. The company now had 17 One Stop convenience shops and 24 newsagents. "We plan to accelerate openings of One Stops, which are currently five a year. We opened two in the first half and hope for between five and eight by year end."

Retail contributed 25 per cent of turnover, though in profit terms it showed the smallest margins.

Newspaper sales, 13 per cent of turnover, were just ahead of last year. The company owns three evenings - the News in Portsmouth, the Echo in Sunderland and the Mail in Hartlepool- four weeklies and 10 freesheets.

The tax charge for the six months was £830,000 (£289,000). An extraordinary debit of £35,000 (£84,000) was attributed to goodwill. An interim dividend of 1.21p (1.1p) was declared.

•comment

Portsmouth and Sunderland has incurred considerable expenditure - £17.75m in the past five years - on plant and equipment and is now reaping the benefits of that investment. The company is doing extremely well and yesterday's figures were better than most analysts' expectations. The only "but" to speak of is the long-term outcome of the market crash. An economic slowdown would hit Portsmouth where it hurts, on advertising revenue. With property, motor, retail and recruitment advertisements bringing in most revenue, a cut in consumer spending and a halt on company hirings would pinch, sharply. Perhaps with this in mind, Charles Brims stressed yesterday he wouldn't expect to do as well in the second half. The City is forecasting about £4.5m for the full year, giving, on yesterday's unchanged 276p share price, a prospective p/e of 12-in these markets fair value.

RHP in £12m US acquisition

BY DAVID WALLER

RHP Group, precision engineering group, has defied the market's current aversion to the US and bought a Minnesota-based fire-detection company for $21m (£12m) in cash. The price was knocked down "slightly", according to Mr Archie Cox, RHP finance director, in the light of present conditions.

Since the markets crashed, UK companies with substantial exposure to the US economy have been marked down by investors, and earlier this week, the TI Group pulled out of the proposed $144m acquisition of Bundy.

Despite adverse sentiment, Detecter Electronics Corporation represented a good buy, said Mr Cox. "It operates in a niche-market, and has been very badly run. We think we'll make a lot of money out of it."

Mr Cox conceded that plans for other larger acquisitions in the US had been shelved, mainly because of the difficulty of issuing shares to finance such a transaction under present circumstances.

Det-Tronics designs, manufactures and markets fire and gas-detection instruments for safety-control systems used in the petroleum, petro-chemical, munitions, utilities and paper and pulp industries.

Its products are compatible with those of other companies in RHP's Fire and Protection division, Graviner in the UK and Deugra in West Germany. Inter-penetration of the three companies' markets is expected as a result of the acquisition.

In the year to September 1986, Det-Tronics made pre-tax profits of $860,000 on turnover of $17.1m, representing some 60 per cent of the US market for fire detection equipment. Unaudited accounts for the year to the end of September 1987 suggest that the company's turnover was $18.2m, on which taxable profits of about $300,000 were made. At the end of June, its net assets were $11.8m.

In its last financial year, RHP made pre-tax profit of £17.7m on £164m turnover, only 3 per cent of which derived from the US.

ICI in talks on German fibre deal

By Nikki Tait

Imperial Chemical Industries announced yesterday that its fibres division is having talks with Veba, a West German energy and chemicals conglomerate, over the possible acquistion of the latter's fibre-manufacturing subsidiary at Neumunster.

The company in question, Norddeutsche Faserwerke GmbH, makes about 27,000 tonnes of synthetic filament yarns, carpet and textile fibres and sells principally into Western Europe. It employs 1,250 people, is described as a "stand-alone" operation within the Veba group, and makes about £1m annual profit. Assets of the group are put at under one per cent of the ICI's net worth - currently estimated at over £6bn.

According to ICI, talks are fairly well advanced and a deal could be secured within a few months. The acquisition would, however, require approval from the Federal Cartel Office in West Germany.

Geers Gross slides into red

BY FIONA THOMPSON

Geers Gross, advertising agency with businesses in the UK and the US, yesterday announced a £1.21m swing into losses of £846,000 for the six months to June 30, 1987. The deficit was due principally to account losses suffered by the UK agency last year.

"This is the legacy of management problems in 1986," said Mr Steven Wooloshin, chairman and chief executive of the UK agency, Geers Gross Advertising. Following the loss of three major accounts in 1986 - Access, worth £6m; British Telecom, worth £3m; and Rumbelows, worth £8m - the top management was overhauled and Mr Wooloshin instated.

The company had looked to recover some of these losses during the second half with the contribution from the £7m Queensway account, but in June Geers lost this.

"Consequently," the company said yesterday, "the UK trading position for the balance of 1987 will continue to reflect the impact of the 1986 account losses."

Turnover for the six months was £40.31m, against £49.63m last year. A tax credit of £200,000 compared with a charge of £136,000. The loss per share was 4.27p against earnings of 1.56p. The dividend has been passed (1.5p).

For the year to end December 1986, Geers incurred a loss of £965,000, compared with profits of £813,000 the previous year. The company said yesterday that the 1986 figures had been restated as a result of a change in policy on volume discounts which necessitated a prior-year adjustment to avoid including more than one year's discount in the single year of change.

Sharp downturn at Eastern Produce

Eastern Produce (Holdings) which has interests in plantations, trading and agency, engineering and fishing, saw a sharp downturn in pre-tax profits in the half year to June 30. The fall was one of 41 per cent from £3.67m to £2.15m compared with the 34 per cent increase from £19.16m to £25.71m in turnover.

Earnings were more than halved to 7.6p (16.4p) but the interim dividend is maintained at 2.5p per 50p share.

Production on the company's tea estates in Kenya is currently marginally ahead of last year, but the company's Malawi gardens have experienced abnormally dry weather which is bound to affect their total outturn for the year. Tea prices were still disappointingly low, despite some improvement over recent weeks, directors said.

Associated Fisheries has been consolidated as an associate for five months and as a subsidiary for one month. Its interim results to March 31 last registered a substantial increase over the previous year.

Group operating profit for the period tumbled from £2.36m to £806,000 and the share of profit of associated companies fell from £1.52m to £1.37m. Investment and other income rose from £356,000 to £539,000 but this was set against interest charges of £559,000 (£558,000). Tax charged was £1.03m (£1.62m) and minorities were £234,000 (£40,000). There was an extraordinary credit of £850,000 (£151,000).

The directors said that the half year results reflected the impact upon the group's earnings of depressed tea prices, adverse exchange rates and a reduced contribution from the company's engineering subsidiary.

Parkway in graphics deal

by Dina Medland

Parkway Group, a London-based company which provides a range of pre-production services for advertising agencies and which joined the USM in July, has conditionally agreed to buy Front Page Graphics for an initial £950,000 through a mixture of cash and shares.

Front Page was formed in 1981 and provides typesetting services for design companies, art studios and advertising agencies.

Front Page is also involved in a joint venture providing direct input typesetting services to financial institutions and other organisations. Pre-tax profits for the year ended January 31 slid to £61,000 (£144,000) on turnover of £1.5m, "reflecting costs incurred in relocation and investment in additional staffing" the company said.

Additional payment for the purchase would be dependent on the future profitability of Front Page, and financed through the issue of loan stock. The existing directors will remain, and Mr Peter Ross, Parkway chairman and managing director, will join the Front Page board.

Family brewer buys 50% of Allied Lyons company

BY DINA MEDLAND

Allied Lyons, food and drinks concern, has agreed to sell a 50 per cent stake in its subsidiary, Coopers of Wessex, to Gibbs Mew, the Salisbury-based brewer. The stake is expected to cost Gibbs Mew about £550,000, but will be determined by Coopers' net asset value at March 5, 1988.

Gibbs Mew, a family-run business quoted on the USM since 1984, last year turned in pre-tax profits of £846,354 on turnover of £15m. Coopers has turnover of about £9m in wholesaling wines, beers, spirits and soft drinks.

The deal will give Gibbs Mew access to Coopers' extensive free-trade customer base for the sale of its Salisbury-brewed beers, the company said. Coopers will benefit by being able to add Gibbs Mew's beers to its product range, and gaining access to Gibbs Mew's free-trade customers and its 80 managed and tenanted houses for its range of wines and spirits, Allied Lyons said.

Allied Breweries will also have the opportunity of strengthening the marketing of its key lager brands through Gibbs Mew's estate and its free trade.

Gibbs Mew and Coopers will continue to trade independently, but Mr Peter Wintle, Coopers' managing director, will also become managing director of Gibbs Mew, and Mr Peter Gibbs, chairman and chief executive of Gibbs Mew, will join the Coopers' board.

A & M stages first half recovery

A & M Group staged a recovery in the first half of 1987 although results failed to match the comparable period.

For the six months ended July 31 1987 this hirer of furniture, scenery and studio facilities to the communications industry produced a pre-tax profit of £241,000. The comparison was £322,000 but that had fallen to £83,000 by the end of the year to January 31 1987.

Turnover for the six months totalled £2.62m (£2.15m). Several of the businesses surpassed the sales budget but gross margins remained under pressure.

The furniture hire side was not engaged in the sale of furniture and demand within the television commercials market appeared to be returning after a quiet period.

Operating profit came to £325,000 (£370,000) and interest charges to £84,000 (£48,000). Earnings per share were 0.28p (0.49p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Clayton Son ....int	2	-	2	-	9
Cohen (A) ....int	4.1	Feb 12	3.7	-	12.1
Craig & Rose ....int	2	-	8	-	49
Eastern Produce ...int	2.5	Dec 18	2.5	-	10
Fundinvest ....fin	5.16	-	4.81	8.57	7.48
Globe Invest. ....int	1.52	Jan 6	1.38	-	4.11
Japan Assets ....fin	0.05	-	0.05	0.05	0.05
Natl. Home Loans ..fin	3.28	Jan 15	1.15	5.64	1.83‡
New Throgmorton int	1.5	Jan 15	1.25	-	4.6
Portsmouth News .int	1.21	Dec 18	1.1	-	4.4
Richards (Leics) ....int	nil	-	1.5	-	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ØThird market. ‡For 16 months.

Marinex rights issue flop

Marinex Petroleum's £6.3m rights issue was a flop, it was announced yesterday. Shareholders took up only 15.1 per cent of the shares on offer. The underwriters have been saved from bearing the full cost of the failure as a further 33.5 per cent of the shares have been privately placed with institutional and other investors.

Richards (Leicester) falls into the red

Restructuring costs and an unsatisfactory performance by the foundry pushed Richards (Leicester) into a loss of £203,000 in the half year ended July 5 1987, and the interim dividend is being pased.

In the comparable period there was a profit of £143,000 and an interim of 1.5p. The final was also 1.5p after the year's profit hit £234,000.

Turnover fell to £4m (£4.21m) and the group ran up an operating loss of £66,000 (profit £181,000). Restructuring costs totalled £105,000 (£12,000) and there was £20,000 goodwill written off.

In contrast, contributions from the two engineering subsidiaries were encouraging and, with good order books for foundry and mining equipment, the 1988 outlook for both looked encouraging, said Mr Ernest Tyerman, chairman.

Significant changes have been made to improve the commercial and manufacturing operations and further action would follow.

It was intended also to broaden the group's industrial base and a number of acquisition possibilities were under review.

IN BRIEF

SANDHURST Marketing is buying Manchester based Britannic Wholesale Stationers for initial £1.25m cash; further cash expected to be £275,000 payable within three months. Britannic's turnover was £156,000 in year ended May 31 1987.

SAVAGE, international DIY hardware group, is buying Pendock, a supplier of laminated plywood products, for an initial cash payment of £350,000. There will be further payments based on net assets on October 31 and future sales, in the latter case up to £450,000.

PLESSEY has disposed of its three peripheral systems subsidiaries in the UK, US and Canada to Distributed Logic of Anaheim, California, for $6m (£3.5m) cash and $1.5m (£875,000) in notes.

CPU COMPUTERS: SCOA of France has received valid acceptances for 14.58m (89.95 per cent) ordinary CPU shares, including 9.22m (56.86 per cent) the subject of irrevocable undertakings to accept from CPU directors. The offer is now closed.

WALKER GREENBANK is acquiring Shilton for an initial £40,000 in cash to be supplemented by a further profit related payment of not more than £1m in cash or stock over a three year period, the full amount being based on Shilton achieving pre-tax profits of £1.5m per annum by January 31 1991. For the year ended January 1989 Shilton, specialist furniture maker, has indicated pre-tax profits of not less than £180,000.

BURFORD GROUP has sold a 113,000 sq ft office complex in Orpington, Kent, for £2.75m, to Epichold.

B&H in £2m Rexco sale to Coalite

by David Waller

Barnett & Hallamshire Holdings, the troubled coal mining and property group, has disposed of its Rexco subsidiary to raise £2m in cash. The proceeds will be used to reduce the size of the realisation account established as part of the financial rescue package for B&H in December 1985.

When the account was first set up, it stood at £20m - money to be repaid to the banks involved in the financial reconstruction within two years. The terms have subsequently been renegotiated and Mr Tom Carlile, B&H's chairman, said yesterday that the company was under no obligation to apply the money to that account, but thought it commercially sound to do so given the amount of interest likely to be saved.

Rexco is a leading manufacturer and distributor of smokeless fuels and is being sold to the Coalite Group, manufacturer of the UK's best-known smokeless fuel. The business incurred a loss of £420,000 in the year to March - but Mr Carlile said that it had now reached break-even point.

He added that this was the first disposal of a performing asset. Since the rescue, sales of non-performing assets have totalled approximately £17m. The amount owed on this account was currently between £5m and £7m, reflecting the level of accumulated interest.

Control Securities reduces borrowings

Control Securities, the property investment and dealing group, has almost wiped out its £8m net borrowing with property disposals raising a total of nearly £6m. It said yesterday that its "very liquid position" would allow it to take full advantage of the changing market place.

Control has sold Smale House in Great Suffolk Street, Southwark, to Mercury Communications for £3.25m and raised £2.68m through other recent sales.

Clayton Son rises 8%

In the first half of 1987, Clayton Son & Co. (Holdings) has shown an 8 per cent increase in profit, from £108,000 to £117,000.

Turnover rose nearly 20 per cent, from £5.12m to £6.13m.

Profitability in the machine tools operation remained in line with last year, but reorganisation was necessary in contracting and fabrication.

Further expansion and acquisitions in other directions were under consideration, the directors said.

Earnings per share worked out at 2.78p (2.55p) after tax £48,000 (£45,000). The interim dividend is again 2p - the previous total was 9p (7p) - as the year's profit hit £1m (£822,000).

There was an extraordinary credit of £63,000 (£38,000) in the half year.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§130	F.P.	20/11	170	103	Allia 10p	106	+3	L3.8	2.2	4.9	10.5
§61	F.P.	—	96	61	♦Amer Plast. Inc. $0.01	75	+10	R02.5c	4.6	2.5	10.6
175	F.P.	6/11	240	160	Anglo Leasing 10p	166	+8	12.6	1.9	2.17	12.2
**	F.P.	23/10	27	17	Atlantic Assets Wrnts	17	......	—	—	—	—
§105	F.P.	6/11	160	103	♦Banner Homes 10p	105	+2	R2.6	2.9	3.4	13.8
330	120	—	88	84½	Brit. Petroleum 25	85	......	N12.5	1.5	5.8	14.6
§100	F.P.	—	182	90	Butor Mining 10p	105	+10	—	—	—	—
70.5	F.P.	—	79	65	CDFC Trust 10p	66	......	—	—	—	—
§18	F.P.	—	26½	18½	♦Chartsearch 1p	26½	+1½	R0.44	3.0	2.3	19.9
10	F.P.	11/12	14¼	7	EFM Dragon Trust 5p	9	+2	—	—	—	—
¶¶	F.P.	—	268	243	English&Caledonian Inv.	238	−2	—	—	—	—
32	F.P.	30/10	50	29½	♦Explaura 5p	30	......	—	—	—	—
**	F.P.	—	67	38	First Spanish I.T. Wrnts	40	+2	—	—	—	—
¶¶	F.P.	—	99	88	Haden MacLellan 20p	93	......	1.9	1.5	2.8	—
**	F.P.	23/10	23	15	Independent Inv. Wrnts	15	......	—	—	—	—
§80	F.P.	—	146	96	ISA Intl. 5p	100	+4	RL17	4.0	1.6	21.2
§60	F.P.	—	82	61	*Kemp (P.E.) 5p	61	......	—	—	—	11.5
§170	F.P.	—	191	170	Lloyd Thompson 5p	170	......	L4.3	2.1	3.5	18.5
§115	F.P.	—	128	78	♦Marcol 5p	78	−2	L2.3	2.1	4.0	16.5
**	F.P.	—	98	55	Moorgate Inv. Warr.	70	......	—	—	—	—
§100	F.P.	—	108	103	New Guernsey Securities	103	......	—	—	—	—
§10.98	F.P.	—	$11¼	$10½	Portugal Fund $0.01	$10½	−1½	—	—	—	—
§123	F.P.	—	131	80	Power Corp. Ir. £0.01	80	......	Q36.9	2.5	4.2	10.5
§88	F.P.	—	90	83	Record Hldgs 5p	89	......	R2.0	3.2	3.3	13.1
130	F.P.	20/11	253	178	Security Archives 20p	185	+7	R4.0	2.0	3.0	22.6
§180	F.P.	—	180	135	Shaftsbury £1	137	−1	—	—	—	—
250	F.P.	12/12	317	163	♦Stanhope Prop	193	+30	—	—	—	—
§20	F.P.	—	26	20	♦Tabular Exhibition Gr	26	+2	—	—	—	—
§87	F.P.	9/11	98	73	♦URS Ind. $0.01	73	......	R4.75	1.9	3.6	14.6
§60	F.P.	—	93	75	♦WSP Hldgs. 5p	76	+1	R1.4	3.0	2.5	17.9
¶¶	F.P.	—	28	16	Wilshaw Securities	28xr	+3xr	—	—	—	—
¶¶	F.P.	—	168	135	Zetters Leisure 10p	135	......	L1.5	3.7	1.5	24.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
100	F.P.	20/11	106½p	88p	Allied Lond Prop 5¾% Cv.Rd.Pf.	88p	−2
100	£10	20/1	14	10¾	Chester Wtr Wks 11¾pc Rd Db '98-2000	12p	......
§100	F.P.	—	129p	94p	Morrison (Wm) 5¼pc Cm Rd Pf	97p	+3
—	F.P.	—	100¾	99¾	N'wide Anglia 10¾ pc 12.9.88	100¾	......
—	F.P.	—	100½	99¾	Do. 10¾ pc 26.9.88	113¾	......
—	F.P.	—	100¾	100.2	Do. 10¾ pc 31.10.88	100¾	......
§	F.P.	—	109½	99½	Next 5¾% Cnv. 2003	100¾	......
100	F.P.	—	140p	136p	P & O 5.5% Rd.Rn.-Cm Pf £1	136p	......
§100	F.P.	—	115p	113p	Record Hldgs 10% Cm Rd Pf £1	114p	−1
100	F.P.	—	95p	93p	♦Sidell Grp 5.64 pc Cv. Cm.Rd. Pf.	93p	......
—	Nil	—	1½pm	¼pm	Utd. Scientific 5¾ pc. Cnl. N-V Rd. Pf.	¼pm	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
500	Nil	—	263pm	68pm	A.C. Hldgs 5p	88pm	......
213	Nil	—	28pm	8¼pm	Birmingham Mint	8¼pm	......
5	Nil	—	35pm	15pm	♦Fletcher Dennys 5p	35pm	+8
66	Nil	—	1¼pm	¼pm	Hartstone Leis.	¼pm	......
310	Nil	2/12	43pm	¼pm	Heywood Williams	¼pm	−¼
265	Nil	4/11	34pm	¼pm	♦Hunter Saphir	¼pm	+¼
450	Nil	4/12	140pm	1¼pm	Kleinwort Benson, L	3pm	−1
370	Nil	27/11	81pm	¼pm	Ladbroke 10p	¼pm	+¼
70	Nil	11/12	9pm	3pm	Lamex 2½p	4pm	+1
385	Nil	—	43pm	2pm	Lilleshall	2pm	......
735	Nil	—	65pm	10pm	♦Local London	15¼pm	......
145	Nil	19/11	14pm	1pm	Martin (AO) 20p	3pm	......
200	Nil	25/11	167pm	10pm	♦Pacific Sales 10p	10pm	......
380	Nil	—	40pm	3pm	Peachey Prop	3pm	......
80	Nil	—	460pm	265pm	Press Tools	285pm	+20
55	Nil	14/11	11pm	1½pm	Publishing Hldgs 5p	2¼pm	......
400	Nil	20/11	86pm	2¼pm	Sketchley	2¼pm	−¼
30	Nil	—	30pm	15pm	Scotchlib Bldg	15pm	......
150	Nil	4/11	40pm	21pm	♦Trible Harris	21pm	......
270	Nil	5/11	35pm	4pm	Wace Group 20p	4pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures ‡ Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price. * Third Market. ‡Issued in £2 Units comprising 2 Ord Shares & 1 Warrant. (Exercisable at 30p into 1 Ord.) ♦With warrants

APPOINTMENTS

Director of manufacturing at BP Oil

Mr Terry Lazenby has been appointed director of manufacturing and supply by BP OIL, UK marketing and refining arm of the British Petroleum Company. He succeeds **Mr Ian Baker** who is returning to Australia to become director, exploration and gas, BP Australia. Mr Lazenby was works general manager, BP Chemicals, at Grangemouth.

*

Mr Derek Ford has been appointed deputy chairman of SEDGWICK INTERNATIONAL.

*

Dr John Howell has been appointed director of the OVERSEAS DEVELOPMENT INSTITUTE. He was deputy director and succeeds **Mr Tony Killick** who becomes senior research fellow. **Mr Adrian Hewitt** becomes deputy director.

*

Miss Jennifer Edwards has been appointed merchandise director of SELFRIDGES, part of the Sears group.

*

Mr Michael Cully has been appointed a director of WATKINS & ASSOCIATES. He was a senior vice president of The Bank of Montreal.

*

THE ROYAL BANK OF CANADA has appointed **Mr Tim Betley** as vice president, international private banking. He continues as managing director of The Royal Bank of Canada (Channel Islands).

Board changes at Virgin

Mr Peter Scott, chief executive of WRCS Group, has been appointed a non-executive director of the VIRGIN GROUP. His appointment concides with the resignation of **Sir Philip Harris**, chairman of Harris Queensway. Sir Philip has been a non-executive director of Virgin since October 1986, assisting the group through its flotation and first year as a public company. He says this is not a sudden decision - he feels the need to spend more time with his own business.

*

Mr N.L. Jones becomes commercial and corporate finance director of OCEONICS GROUP from November 1 and takes over the responsibilities of **Mr T.D. Venables** who leaves to become finance director at GEC AVIONICS. Mr Venables succeeds **Mr D. Rickard**, who has been appointed to the board of the recently-formed GEC-Marconi Group.

*

Mr Simon P. Brooke has been appointed a director of BAKER HARRIS SAUNDERS, with responsibility for property management. He was a director of JLW Estate Management Services.

*

Mr Jeremy Beyes, previously a principal estates surveyor with the PSA, has joined LYNTON PROPERTY & REVERSIONARY.

*

Mr Robert Wynn has been appointed chairman and joint managing director of WYNN ELECTRONICS. He succeeds **Mr Christopher Thompson**, who becomes a non-executive director.

*

S. & W. BERISFORD has appointed **Mr Eric Jones** as group treasurer, **Mr Alastair Gordon** as group corporate finance manager, and **Mr Andrew Wilson** as group chief accountant.

*

Mr Oliver J. Rowell has joined the board of HEALTHCARE COMMUNICATIONS as a non-executive director. He is general manager of Nuffield Hospitals.

*

MARSHALL & CO (BROKERS), part of the Lombard, Odier & Cie group, Geneva, has promoted **Mr Duncan Duckett**, managing director, to deputy chairman; **Mr Christopher Phillips**, deputy managing director and head of corporate finance, to chief executive incorporating head of corporate finance; **Mr Robert Leutchford**, a director, becomes deputy chief executive; and **Mr Laurence O'Mara** has been promoted to assistant director.

*

KANGOL, Cleator, Cumbria, has appointed **Mr Reg Denby** and **Mr Derek Hall** to the main board.

M & G finance director

From the New Year **Mr Tony Shearer** becomes finance director of the M & G Group. He joins from Deloitte Haskins and Sells.

ECONOMIC DIARY

TOMORROW: Confederation of British Industry's annual conference opens, Glasgow (until November 3). Sir Geoffrey Howe, Foreign Secretary, visits Jordan (until November 3). London-to-Brighton veteran car run.

MONDAY: International Foundation of Air Passengers' Association publishes annual survey. Department of Transport statement on fuel consumption. Presentation of economic outlook by five leading West German research institutes, Bonn.

TUESDAY: Mr Nigel Lawson, Chancellor of the Exchequer, presents autumn statement on the economy in the Commons. Treasury publishes October figures of UK official reserves. Figures for housing starts and completions for September from Department of the Environment. Bank of England statistics for capital issues and redemptions in October. NATO nuclear planning group meets, Monterey, California. West German unemployment figures.

WEDNESDAY: Department of Employment publishes August figures for overseas travel and tourism. Advance energy statistics for September from Department of Energy. Chancellor of the Exchequer speaks at the Lord Mayor of London's dinner for bankers and merchants of the City, Mansion House. Channel Tunnel Agreement signed at the Guildhall.

THURSDAY: Department of Employment publishes 1987 New Earnings Survey, Report Part C: Analysis by industry. Detailed analysis of employment, unemployment, earnings, prices, and other indicators. The Queen opens London City Airport at Docklands. EC standing committee on employment meets, Brussels. Fourth European Community Colloquium for Women's Voluntary Organisations, Queen Elizabeth II conference centre, Westminster. The Institute of Economic Affairs conference on privatisation and competition - the role of competition in privatised businesses. Bundesbank central bank council meets, Frankfurt.

FRIDAY: Presentation to bankers by International Finance Corporation, Zurich. West German Banking Association statement. US October unemployment figures.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Friday October 30 1987

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Thu Oct 29 Index No.	Wed Oct 28 Index No.	Tue Oct 27 Index No.	Year ago (approx) Index No.	1987 High		1987 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (214)	712.00	+3.4	9.90	3.98	12.69	18.27	688.43	683.13	706.94	661.38	1038.07	16/7	683.13	28/10	1038.07	16/7/87	50.71	13/12/74
2	Building Materials (30)	940.04	+3.3	9.88	3.91	12.62	22.91	910.44	882.22	897.35	799.20	1381.08	16/7	860.39	5/1	1381.08	16/7/87	44.27	11/12/74
3	Contracting, Construction (33)	1301.92	+1.5	9.73	3.87	13.73	29.46	1283.29	1280.18	1302.83	1112.18	1951.50	16/7	1185.88	2/1	1951.50	16/7/87	71.48	2/12/74
4	Electricals (14)	1864.27	+2.2	9.72	4.67	13.43	54.41	1823.73	1813.13	1903.14	1754.82	2733.45	20/7	1772.22	2/1	2733.45	20/7/87	84.71	25/6/62
5	Electronics (34)	1547.47	+4.5	10.44	3.26	12.48	35.33	1481.14	1489.38	1553.25	1416.98	2236.70	17/7	1481.14	29/10	2236.70	17/7/87	1229.01	8/10/85
6	Mechanical Engineering (60)	368.08	+2.0	9.92	4.36	12.68	11.01	360.70	360.77	370.97	367.77	544.57	14/10	360.70	29/10	544.57	14/10/87	45.43	5/1/75
8	Metals and Metal Forming (7)	402.54	+5.4	9.78	4.10	12.45	9.11	381.85	370.30	383.88	333.12	596.67	9/10	355.97	2/1	596.67	9/10/87	49.65	6/1/75
9	Motors (14)	268.35	+4.6	11.50	4.32	10.10	5.86	256.47	252.28	259.73	255.55	411.42	13/10	252.28	28/10	411.42	13/10/87	19.91	6/1/75
10	Other Industrial Materials (22)	1191.79	+4.4	8.75	4.35	13.60	36.48	1141.71	1139.87	1207.81	1233.64	1736.80	22/9	1139.87	28/10	1736.80	22/9/87	277.55	15/1/81
21	CONSUMER GROUP (182)	1036.91	+4.2	7.96	3.40	15.98	18.71	995.56	981.35	1067.75	934.54	1406.32	16/7	950.87	2/1	1406.32	16/7/87	61.41	13/12/74
22	Brewers and Distillers (21)	949.20	+2.8	10.57	3.91	11.94	17.52	923.50	915.94	934.19	954.61	1269.35	16/7	915.94	28/10	1269.35	16/7/87	69.47	13/12/74
25	Food Manufacturing (23)	819.54	+4.5	8.99	3.79	14.36	16.66	784.37	777.25	785.50	711.11	1092.25	16/7	738.32	2/1	1092.25	16/7/87	59.67	11/12/74
26	Food Retailing (16)	2086.16	+2.8	7.06	2.83	18.88	39.67	2028.73	1993.83	2069.12	1867.26	2649.96	16/7	1881.08	2/1	2649.96	16/7/87	54.25	11/12/74
27	Health and Household Products (10)	1803.92	+5.2	6.23	2.46	18.57	16.41	1714.69	1656.64	1712.45	1521.58	2699.85	16/7	1645.70	2/1	2699.85	16/7/87	175.38	28/5/80
29	Leisure (30)	1086.18	+5.7	7.38	4.18	16.93	28.16	1027.75	1023.90	1067.52	932.56	1504.79	13/10	906.35	2/1	1504.79	13/10/87	54.83	9/1/75
31	Packaging & Paper (16)	500.55	+3.9	8.25	3.58	15.95	11.13	481.94	478.32	505.88	476.55	739.48	16/7	478.32	28/10	739.48	16/7/87	43.46	6/1/75
32	Publishing & Printing (15)	3419.76	+5.0	5.87	4.12	21.85	67.89	3256.04	3266.74	3372.08	2597.89	5070.66	5/10	2713.49	2/1	5070.66	5/10/87	55.08	6/1/75
34	Stores (35)	899.63	+4.1	7.91	3.29	17.12	16.95	864.03	849.21	859.49	864.08	1160.58	29/7	835.17	2/1	1160.58	29/7/87	52.63	6/1/75
35	Textiles (16)	601.86	+3.0	10.47	3.83	11.85	12.57	584.11	585.19	622.58	527.98	914.52	2/10	541.39	2/1	914.52	2/10/87	62.66	11/12/74
40	OTHER GROUPS (87)	844.63	+4.6	10.29	4.20	12.10	20.82	807.18	803.71	827.47	785.24	1192.48	8/10	803.71	28/10	1192.48	8/10/87	58.63	6/1/75
41	Agencies (17)	1024.99	+7.4	6.11	2.21	21.49	16.79	954.56	967.11	1015.04	0.0	1795.57	17/7	954.56	29/10	1795.57	17/7/87	954.56	29/10/87
42	Chemicals (21)	1012.90	+6.3	9.73	4.54	12.56	33.10	952.76	968.72	1016.87	1001.18	1545.46	5/10	952.76	29/10	1545.46	5/10/87	71.20	1/12/74
43	Conglomerates (13)	1113.89	+5.3	9.23	4.20	12.40	22.33	1057.58	1039.35	1063.47	0.0	1547.01	8/10	1039.35	28/10	1547.01	8/10/87	1039.35	28/10/87
45	Shipping and Transport (11)	1777.49	+5.3	9.53	4.63	13.78	51.44	1687.99	1709.50	1752.93	1535.37	2497.85	16/7	1567.77	2/1	2497.85	16/7/87	90.80	29/6/62
47	Telephone Networks (2)	915.57	+2.6	11.07	4.41	12.05	18.98	892.77	871.79	868.82	764.83	1274.14	9/6	837.15	5/1	1274.14	9/6/87	517.92	30/11/84
48	Miscellaneous (23)	1149.69	+4.2	13.06	4.09	9.13	32.87	1103.86	1106.86	1176.33	1105.94	1773.70	5/10	1101.37	5/1	1773.70	5/10/87	60.39	6/1/75
49	INDUSTRIAL GROUP (483)	908.52	+4.1	9.07	3.76	13.88	19.71	872.72	864.06	889.66	833.01	1268.86	16/7	860.46	2/1	1268.86	16/7/87	59.01	13/12/74
51	Oil & Gas (17)	1715.44	+2.5	9.69	5.73	12.73	65.73	1674.34	1643.60	1682.53	1405.05	2458.68	16/7	1585.69	5/1	2458.68	16/7/87	87.23	29/5/62
59	500 SHARE INDEX (500)	976.93	+3.9	9.17	4.06	13.69	23.68	940.70	930.19	956.93	881.21	1369.88	16/7	915.61	2/1	1369.88	16/7/87	63.49	13/12/74
61	FINANCIAL GROUP (120)	642.21	+2.9	–	4.81	–	20.08	624.05	621.38	635.33	610.63	896.67	13/10	615.75	2/1	896.67	13/10/87	55.88	13/12/74
62	Banks (8)	647.18	+2.9	20.62	6.02	6.41	25.98	628.95	629.04	634.78	673.27	898.38	16/7	625.68	26/10	898.38	16/7/87	62.44	12/12/74
65	Insurance (Life) (8)	940.48	+3.3	–	4.89	–	32.56	910.49	880.40	905.72	820.08	1205.72	9/10	869.23	2/1	1205.72	9/10/87	44.88	2/1/75
66	Insurance (Composite) (7)	512.40	+3.5	–	5.38	–	17.20	494.91	482.36	494.74	476.72	707.58	13/10	456.52	2/1	707.58	13/10/87	43.96	13/12/74
67	Insurance (Brokers) (8)	900.28	+2.2	12.34	6.36	10.37	38.19	881.05	883.55	915.86	1292.45	1399.56	17/7	881.05	29/10	1399.56	17/7/87	65.86	16/12/74
68	Merchant Banks (12)	388.74	+0.2	–	3.40	–	8.69	387.91	388.29	391.73	343.27	547.59	12/10	345.65	2/1	547.59	12/10/87	31.21	7/1/75
69	Property (49)	925.02	+3.5	5.23	3.20	24.64	16.02	894.13	912.90	946.96	787.55	1374.86	16/7	885.82	5/1	1374.86	16/7/87	56.01	20/4/65
70	Other Financial (28)	415.10	+2.7	8.66	3.89	14.65	10.39	404.25	402.10	411.59	355.38	603.48	16/7	365.01	2/1	603.48	16/7/87	33.29	17/12/74
71	Investment Trusts (88)	845.76	+1.9	–	2.93	–	15.17	829.77	840.94	879.89	822.03	1224.41	2/10	829.77	29/10	1224.41	2/10/87	71.12	13/12/74
81	Mining Finance (2)	422.44	+4.8	10.76	4.04	10.47	10.41	403.27	388.86	382.82	327.10	727.93	3/8	341.86	2/1	727.93	3/8/87	66.31	30/9/74
91	Overseas Traders (10)	934.04	+4.9	9.81	5.22	11.94	33.95	890.50	881.37	883.55	760.66	1364.12	13/10	778.26	2/1	1364.12	13/10/87	97.37	6/1/75
99	ALL-SHARE INDEX (720)	887.33	+3.7	–	4.14	–	22.36	856.05	847.91	871.35	807.27	1238.57	16/7	835.48	2/1	1238.57	16/7/87	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Oct 29	Oct 28	Oct 27	Oct 26	Oct 23	Year ago	1987 High		1987 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX ‡	1749.8	+67.8	1773.8	1734.9	1682.0	1658.4	1703.3	1684.1	1795.2	1632.1	2443.4	16/7	1658.4	28/10	2443.4	16/7/87	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Oct 30	Day's change %	Thu Oct 29	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.28	−0.09	123.39	–	9.45
2	5-15 years	140.42	−0.13	140.60	–	12.01
3	Over 15 years	149.01	−0.56	149.85	–	12.02
4	Irredeemables	167.58	−1.29	169.76	–	13.35
5	All stocks	137.17	−0.20	137.44	–	11.23
	Index-Linked					
6	5 years	121.51	+0.03	121.47	–	2.18
7	Over 5 years	107.84	−1.03	108.97	–	2.89
8	All stocks	108.82	−0.93	109.85	–	2.82
9	Debentures & Loans	118.48	+0.45	118.03	0.08	9.47
10	Preference	83.26	+0.06	83.21	–	4.95

	AVERAGE GROSS REDEMPTION YIELDS		Fri Oct 30	Thu Oct 29	Year ago (approx.)	1987 High		1987 Low	
	British Government								
1	Low	5 years	8.70	8.67	9.76	9.92	19/10	7.52	11/5
2	Coupons	15 years	9.22	9.18	10.38	10.27	19/10	8.53	8/5
3		25 years	9.06	8.97	10.39	10.08	2/1	8.55	8/5
4	Medium	5 years	9.35	9.29	11.21	10.80	2/1	8.39	8/5
5	Coupons	15 years	9.43	9.37	10.73	10.51	19/10	8.74	8/5
6		25 years	9.29	9.15	10.35	10.24	19/10	8.75	8/5
7	High	5 years	9.42	9.37	11.27	10.84	2/1	8.58	8/5
8	Coupons	15 years	9.59	9.54	10.92	10.67	19/10	8.86	8/5
9		25 years	9.30	9.19	10.46	10.31	19/10	8.72	8/5
10	Irredeemables	†	9.02	8.93	10.13	10.30	19/10	8.67	8/5
	Index-Linked								
11	Inflation rate 5%	5yrs	3.31	3.29	4.39	4.03	19/10	2.83	28/5
12	Inflation rate 5%	Over 5 yrs	4.36	4.29	3.83	4.63	19/10	3.30	6/4
13	Inflation rate 10%	5 yrs	3.47	3.44	2.99	4.14	19/10	0.85	24/3
14	Inflation rate 10%	Over 5 yrs	4.39	4.32	3.67	4.65	19/10	3.17	27/3
15	Debs &	5 years	11.28	11.32	11.60	11.86	20/10	9.46	12/6
16	Loans	15 years	10.76	10.81	11.56	11.67	20/10	9.79	23/3
17		25 years	10.75	10.81	11.52	11.49	20/10	9.84	23/3
18	Preference	†	10.97	10.98	11.59	11.83	2/1	10.05	22/6

‡Opening index 1746.6; 10 am 1743.3; 11 am 1748.8; Noon 1765.8; 1 pm 1766.0; 2 pm 1770.2; 3 pm 1772.2; 3.30 pm 1762.4; 4 pm 1747.1

CONSTITUENT CHANGES: Brown(Matthew)(9) and Equity & Law (65) have been deleted. Britannia Security Group (48) and Ossory Estates have been inserted. NAME CHANGES: BPCC to Maxwell Communications Corporation, Emess Lighting to Emess, NMC Investments to NMC Group and Robertson Research to Robertson Group.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p

INTL. COMPANIES & FINANCE

Indesit may be sold to Italian group for L50bn

BY ALAN FRIEDMAN IN MILAN

INDESIT, the troubled Italian home appliance company that has been under court-appointed receivership for nearly two years, is expected to be acquired by Merloni Elettrodomestici, the white goods maker that is 75 per cent owned by the family of Mr Vittorio Merloni, former president of the Confindustria employers' federation.

Merloni, which manufactures appliances under the Ariston brand name, is to pay around L50bn ($39.7m) for Indesit. One of the main reasons why Merloni, Italy's second biggest white goods concern after Zanussi, is buying Indesit is because of Indesit's sales outside of Italy, especially in the UK.

Whereas Merloni had a L5.6bn net profit on 1986 sales of L585bn and claims 16 per cent of the Italian appliance market, less than half its sales come from outside of Italy. Indesit, meanwhile, despite its heavy losses in recent years, derived 70 per cent of its 1986 sales of L170bn from outside of Italy, half of those exports from the UK.

The Merloni takeover, which requires formal approval from the industry minister, is expected to see a total capital injection of L150bn at Indesit: one third of this is the purchase price, another third is destined for new technology and factory automation and the last third is to be used for working capital and to repay Indesit's debt.

Merloni last year produced 1.8m units, while Indesit manufactured 702,000 washing machines, refrigerators, cookers and other appliances.

It is understood that Merloni executives and Indesit trade union representatives have already met and discussed working together on the revival of Indesit's fortunes. At present some 4,000 of Indesit's 5,800 workers are on state-subsidised lay-off.

Merloni made its debut on the Milan bourse two months ago with the flotation of 25 per cent of its shares. The company's market capitalisation is around L110bn.

Nissan stages rally in first half

BY OUR TOKYO STAFF

NISSAN, Japan's second largest car maker, staged a marked recovery in pre-tax profits for the six months to September thanks to stringent cost-cutting measures and increased profits in the domestic market.

The company dropped into the red at the operating profit level last year for the first time in its history. This was largely the result of the effects of the high yen on its export margins. Since that time, Nissan has shed about 10 per cent of its workforce, squeezed its suppliers for lower prices and boosted its sales in its home market.

As a result of these and other measures, the company was able to push pre-tax profits up by 82.3 per cent in the first half to Y70.4bn ($507.4m). Sales were down 1.9 per cent to Y1,713bn. Exports on a unit basis dropped by 10 per cent in the period while sales in the domestic market improved by 4 per cent.

Parent company net profits contracted, however, to Y22.2bn from Y26.4bn, or Y10.03 a share against Y12.05. The interim dividend is being kept at Y7 a share.

The company said that the improvement in the home market was in large part due to its success with its more expensive models. A Nissan executive added that the company's cost-cutting programme had sliced about Y150bn from its fixed costs. This exercise was aided by cheaper prices for imports, such as plastic resins.

The company's exports of commercial vehicles were particularly hard hit in the period, dropping by 33,000 units to about 107,000 units. Sales of commercial vehicles in the domestic market, however, advanced by about 7,000 units, or 6 per cent. Overseas production output jumped 35 per cent, with the biggest gains shown in the US and UK.

For the full year, Nissan aims to achieve pre-tax profits of Y120bn on sales of Y3,500bn.

Philips shows modest advance

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group, lifted profits modestly despite lower sales in the third quarter and confirmed that it still expects earnings for all of 1987 to show an increase.

Net income rose 6 per cent to Fl 134m ($69.1m) in the July-September period from Fl 127m a year earlier as financial expenses dropped sharply due to reduced currency losses. Turnover slipped 1 per cent to Fl 12.6bn in the quarter.

Sales of consumer electronic products and electrical components climbed in most geographical areas except Europe.

Philips confidently predicted that net income would rise this year and that sales volume would expand by about 6 per cent despite the recent turmoil in world stock markets and any resulting curbs on spending and investment.

The fourth quarter is traditionally Philips's strongest trading period because of Christmas purchases."In our view the impact of this (market volatility) on the world economy and exchange rates can't yet be said to be so great that we should revise our sales forecast," said Mr Johannes Zantman, a vice president and member of the board.

"Taking into account a number of planned financial transactions the trend in (net) income gives us no cause to revise the forecasts for 1987," he added.

Philips plans to go ahead with the partial flotation of its music production subsidiary, Polygram, next month although the proceeds will probably be smaller than originally expected, Mr Zantman said. He conceded, however, that the offering could be delayed if market conditions remained unfavourable.

In the third quarter operating income dropped 7 per cent to Fl 580m, the lowest quarterly level in years, as Philips sharply reduced bloated inventories.

For the first nine months profits rose 16 per cent to Fl 554m from Fl 479m in spite of a decline in turnover thanks to lower production costs. Operating income was flat at Fl 2.1bn. Revenue declined 6 per cent to Fl 36.7bn in the January-September period.

Good third quarter for Aetna

BY RODERICK ORAM IN NEW YORK

AETNA Life and Casualty, the largest stockholder-owned insurer in the US, has reported a further sharp increase in third-quarter profits. Growth in casualty-property earnings offset a downturn in group insurance.

Net operaing profits for the three months ended September rose to $231.2m, or $2.01 a share, from $198.9m or $1.72 a year earlier. Premium and investment income rose to $4.43bn and $1.34bn from $3.72bn and $1.30bn a year earlier. In the latest quarter, capital gains of $9.7m and a tax benefit of $13.1m made the final net $254m, or $2.21 a share. A year earlier, capital gains and other items made the final net $265.1m, or $2.31.

Net operating profits from property-casualty insurance in the latest quarter were $38.8m against $27.9m while earnings on group insurance slipped to $12.2m from $16.2m

For the nine months, operating net was $639.1m or $5.50 against $498.3m or $4.30 a year earlier. Premium and investment income grew to $12.43bn and $4.01bn from $10.96bn and $3.87bn.

Aetna said it had bought 860,000 of its shares, about 0.75 per cent of the total, at an average price of $51 a share. It may buy more.

It added that recent events in equity markets had had "minimal impact" on its shareholders' equity. Stocks accounted for less than 10 per cent of its surplus and were covered by a hedging programme.

CFP forecasts return to profitability

By Paul Betts in Paris

CFP, the French Total oil group, expects to report consolidated net earnings of about FFr2.5bn ($431m) this year, compared with a net loss of FFr1.25bn last year.

The company will announce first-half results next week. These are forecast to show a net profit of about FFr1.2bn, compared with a net loss of FFr1.8bn.

CFP's results for the whole of 1987 will include special gains of about FFr1.2bn from the sale of Italian refining and petrol retailing operations

The group, which suffered a FFr7.5bn oil stock accounting loss last year, expects to report an oil stock accounting gain of about FFr850m this year.

Cash flow is predicted to increase to around FFr7.5bn from FFr4.1bn last year. Cash flow from upstream operations will decline to about FFr4bn from FFr4.9bn but downstream operations are expected to show a positive cash flow of about FFr1.4bn against a negative FFr2.7bn.

Clore seeks buyers for his stake in KaiserTech

BY LOUISE KEHOE IN SAN FRANCISCO

MR ALAN CLORE, the British industrialist, revealed that he is seeking buyers for his controlling stake in KaiserTech, the California aluminium and industrial chemicals group, in a filing with the US Securities and Exchange Commission on Thursday.

In an earlier filing, Mr Clore, the 48-year-old son of the late Sir Charles Clore, said that he was "in default under various borrowing arrangements" used to acquire KaiserTech stock earlier this year. The loans were secured by KaiserTech stock which has fallen from around $17 a share when Mr Clore acquired them this spring to a low of $8¾ last week. On Friday, KaiserTech's stock price rebounded to $9¾.

Mr Clore, who bought a 38 per cent stake in KaiserTech to win control of the company will lose his rights to nominate board members if his position falls below 15 per cent by December 15, according to the latest SEC filing.

The filing also reveals that European lenders, including Banque Scandinave, Nordfinanz-Bank, Banque Pasche, Handelsbank, NatWest and Compagnie de Banque dt D'Investissements as well as the Canadian Imperial Bank, last week sold 4.7m of Mr Clore's KaiserTech shares to cover his borrowings. The average selling price was $9.47. Analysts estimate losses on this fire sale at $35m.

The sales also reduced Mr Clore's stake in the company to 15.6m shares or about 29 per cent. However, entities controlled by Mr Clore bought 1.4m this month for $26.4m, according to the SEC filing. This would raise Mr Clore's stake to close to 17 per cent, but Mr Clore has yet to pay for these shares, according to the filing.

Now Mr Clore has hired PaineWebber to sell an unspecified portion of his remaining shares.

Mr Clore's financial problems first surfaced a week ago when he sold a recently-acquired stake in Rorer, a US pharmaceuticals group and his latest takeover target, for about $45m.

Toshiba Machine drops into the red

By Carla Rapoport in Tokyo

TOSHIBA MACHINE, a machine tool subsidiary of Japan's Toshiba electronics group, dropped into the red for the six months to September as a direct result of its violation of Cocom regulations on exports to the Soviet Union.

Following the discovery of the violation earlier this year, the Japanese Goverment banned the company from further exports to Eastern Bloc countries. As a result its exports to communist countries dropped to Y200m ($1.4m) from Y2bn in the same period of last year.

The company reported a loss at the pre-tax level of Y35m, compared with profits of Y1.3bn. It was the first deficit it had suffered in more than 10 years.

Sales were down 17.7 per cent to Y44.7bn. The company has decided to pass its interim dividend and will probably omit its payout for the full year as well.

Toshiba, which owns 50 per cent of Toshiba Machine, came under extreme pressure earlier this year over the incident. The violation, which involved the sale of sophisticated naval equipment to the Soviet Union, became the symbol of US anger over its huge trade imbalance with Japan.

Even so, the controvery did not signigicantly damage Toshiba's sales in the US and the parent company was able to sustain a marked recovery in profits during the period.

Toshiba Machine, however, with after-tax losses of Y185m in the six months, compared with profits of Y793m a year earlier, will be feeling the effects of the incident for some time to come.

Nortel forms joint venture in Europe

By David Owen in Toronto

NORTHERN TELECOM (Nortel), the Canadian telecommunications group, has moved to raise its European profile by forming a joint venture with Banque Worms and a Paris-based venture capital company to manufacture and distribute its SL-1 line of private branch exchanges in France.

The announcement follows the group's purchase this month of a 28 per cent stake in STC, the British electronics group. Nortel subsequently agreed to cut its holding to 24 per cent and not to buy more STC shares.

The company intends to invest about US$50m for a controlling interest in the new concern, with Banque Worms and the venture capital firm, Compagnie Generale d'Industrie et de Participation taking minority stakes. Nortel estimates that the new venture will employ some 300 people.

"One of the things we have to do as a company is to expand our market base beyond North America to areas where growth will be more dramatic in the near- to mid-term," an official said. In the past, Nortel has adopted a direct selling approach to supplying the French market.

It has chosen to enter many other European countries through licence agreements. For example, its private exchanges are made under licence in Sweden, Italy and the UK by General Electric Company. This relationship stands to be reviewed in the light of the company's new partnership with STC and the previously-announced GEC-Plessey joint venture.

Improvement in traffic volume boosts SIA

By Our Financial Staff

SINGAPORE AIRLINES (SIA), the island's flag carrier, boosted after-tax profit 51.2 per cent to S$304.1m (US$147m) in the first half to September on group revenue up 16.1 per cent to S$1.94bn.

It attributed the gain to a higher volume of traffic carried and improved yield.

Depreciation rose 10.9 per cent to S$306m but finance charges dropped 21.7 per cent to S$82.6m and profit from the sale of investments rose to S$4.9m from S$1m.

The company said traffic in the second half is traditionally less buoyant than in the first half, but added that bookings for the next few months look good.

MHI recovers sharply but KHI in deficit

BY STEFAN WAGSTYL IN TOKYO

MITSUBISHI Heavy Industries (MHI), Japan's largest heavy engineering group, yesterday posted a 390 per cent recovery in interim pre-tax profits, thanks mainly to increased defence equipment and shipbuilding orders.

But Kawasaki Heavy Industries (KHI), a rival engineering combine which is the throes of large-scale rationalisation, reported an interim loss for the second year running.

Profits at MHI for the six months to September were Y15.3bn ($110.3m) pre-tax on sales which were 6.7 per cent higher at Y788.5bn. Sales in the aircraft and special vehicles division rose 38 per cent to Y162.6bn, due to increased sales of F-15 fighter-bombers and M74 tanks to the Japanese Defense Agency.

Shipbuilding sales rose 11.5 per cent to Y109.6bn, with the number of ships built, mainly tankers, rising from four to 11.

Net profits were down 39.3 per cent to Y10.3bn, due to Y36bn in foreign exchange losses, offset partly by profits on sales of shares in Mitsubishi Motor, a listed car-making subsidiary. For the year MHI is forecasting a slight increase in sales to Y1,650bn with net profits of Y20bn. KHI's pre-tax loss totalled Y13.4bn, down from Y15.9bn, with the reduction mainly due to sales of securities which contributed Y3.5bn.

Sales were 6 per cent lower at Y258.1bn, due to declines in shipbuilding - where two ships were completed instead of three - and in plant machinery. While defence-related sales were strong, as were sales of cars and motorcycles, sales of heavy equipment to industry were weak, the company said.

Despite the pre-tax loss, KHI managed a net profit of Y1.1bn, against a Y16bn loss, thanks to profits on the sale of part of its site in Osaka. The company says it expects some recovery in the second half but sales are forecast to total Y600bn against Y680bn last year.

COMMODITIES AND AGRICULTURE

WEEKLY PRICE CHANGES

§ Unquoted. (x) Nov. (y) Dec. (t) Oct/Nov. (s) Nov/Dec.

ALUMINIUM

INDICES

REUTERS

DOW JONES

SILVER

Silver was fixed 13.4p an ounce lower for spot delivery on the London bullion market yesterday, at 401.40p. US cent equivalents of the fixing levels were: spot 688c, down 28c; three-month 701.40c, down 25.7c; six-month 714.05c, down 27.15c; and 12-month 743.25c, down 28.5c. The metal opened at 399½-400p (681-685c) and closed at 403-405½p (685-700c).

COPPER

COFFEE

Heavy liquidation in the spot month kept robustas under pressure, reports Drexel Burnham Lambert. The selling widened the nearby differentials and levels fell. With the dollar weakening throughout the day prices had little chance of recovery despite good industry price-fixing.

LEAD

NICKEL

GRAINS

Old crop wheat firmed with shippers and consumers providing the main November short-covering, with deferred support. Barley steadied on trade positions finding trade selling. New crops eased on modest country hedge selling, reports T. G. Roddick.

ZINC

LONDON METAL EXCHANGE TRADED OPTIONS

TIN

KUALA LUMPUR TIN MARKET: Close 17.31 (17.30) ringgit per kg. Up 0.01 ringgit per kg.

GOLD

GOLD BULLION (fine ounce)

GOLD AND PLATINUM COINS

COCOA

Futures opened a little easier and held the values until the late afternoon when prices fell £15 to record new life-of-contract lows. Although producers were still withdrawn consumers appeared as scale-down buyers for both cocoa beans and products, reports Gill and Duffus.

RUBBER

PHYSICALS—Closing prices (buyers): Spot 62.50p (same); Dec 65.50p (same); Jan 66.00p (same).

NEW YORK

CHICAGO

OIL

SOYABEAN MEAL

GAS OIL FUTURES

POTATOES

During a quiet day the market was locked in a similar range to Thursday afternoon. Sellers emerged at £148.00 and persistent buying interest was seen below £146.00, basis April. Traders were watching the weather and are awaiting an update on the lifting figures on Monday, reports Coley and Harper.

FREIGHT FUTURES

MEAT

SUGAR

LONDON DAILY PRICE—Raw sugar $157.40 (£109.60), up 40c (up 50p) a tonne for November/December delivery. White sugar $181.00, down $1.00.

WORLD MARKETS

NEW YORK

WALL STREET

Broad rally sees Dow up 67

THE STOCK market rose sharply in a broad- based rally as investors grew more confident that the Federal Reserve would maintain an accommodative monetary policy and prod economic growth despite continued weakness in the dollar. Volume remained strong in the shortened session.

The Dow Jones industrial average, which had jumped almost 85 points in the first 30 minutes of trading, stood at 2005, up 67 points. The rally spread to second and third tier stocks with advances leading declines almost 10 to one. Energy, technology and drug stocks attracted much of the attention, perceived as bargains following the market crash.

CANADA

Toronto stocks rose sharply at midday as major share groups moved broadly higher with the rally on Wall Street.

The composite index rose 130.70 to 3003.10 as advances outpaced declines by 799 to 50 on heavy volume of 21.5m shares.

Among most actives, Laidlaw class B rose C$1¼ to C$16½, MacMillan Bloedel climbed C$2½ to C$18⅝ and Alcan Aluminium advanced C$2⅛ to C$33⅜.

In mines, Falconbridge rose C$1 to C$18¾, Inco gained C$1½ to C$20¼ and Noranda advanced C$1 to C$21¼.

In blue chips, Seagram rose C$4 to C$76 and Bell Canada Enterprises advanced C$1 to C$36⅝. Oil class A climbed C$2 to C$61½, Gulf Canada Resources moved up C$1¾ to C$18 and Shell Canada advanced C$1 to C$35. Texaco Canada, which reported a 25 per cent increase in third quarter earnings from the year earlier, advanced C$¾ to C$27½.

FRANKFURT

Share prices ended a busy bourse sharply higher and near the best levels of the session, with domestic investors flooding back on to the market amid a higher dollar and sharp gains on other world bourses.

Limited demand emerged from foreign investors.

Yesterday's partial recovery was also a technical reaction to the recent slump in share prices. Car maker Daimler surged DM55 or 7.3 per cent to DM813, BMW rose DM25 to DM520 and VW added DM14.50 or 5.4 per cent to DM275. Insurer Allianz jumped DM103 or 9.5 per cent to DM1,183.

Deutsche Bank recovered DM28 to DM528, Dresdner rose DM8.50 to DM270 and Commerzbank rose DM14.50 to DM246.50.

Chemical BASF rose DM12.60 to DM271.80, Bayer added DM21.50 to DM293.50 and Hoechst gained DM14.70 to DM264.

Electrical Siemens added DM24 to DM487 and AEG rose DM18 to DM251. High-techs, metals processors, steel producers, retailers, engineers, utilities and builders posted substantial gains during the bourse session.

The Commerzbank index of 60 leading shares, calculated during midsession, jumped 98.9 points or 6.9 per cent to 1,526.0.

HONG KONG

Share prices closed higher, rebounding from Thursday's losses, but selling pressure pushed the Hang Seng index well below its highs for the day.

The Hang Seng index finished 35.61 points, or less than two per cent above Thursday's close at 2,240.13. It rose above the 2,400 level in the morning session.

Brokers said there was moderate bargain hunting, mainly from small investors, early in the day but institutions were selling into market strength.

Turnover slid to HK$1.7bn from Thursday's HK$2.09bn, and was the lightest in six weeks.

Hk Electric rose 25 cents to HK$7.70, China Light 20 to HK$17.70 and China Gas 10 to HK$11.40. Jardine Matheson slid 50 cents to HK$9.30 and Hk Land fell 5 to HK$7.35.

SINGAPORE

Dealers said most local and foreign institutions were still cautious and refrained from taking large positions due to uncertainties over the market's direction and the current political tension over Malaysia.

Newly-listed DBS Land, the most active stock on a turnover of 3.1m shares, closed 14 cents higher at S$1.17. Consolidated Plantations gained 10 cents to S$1.72 on a volume of 2.3m shares.

TOKYO

Share prices roared higher, wiping out Thursday's losses. Impressive gains on Wall Street overnight and a steady yen/dollar rate attracted buyers.

The 225-share index surged 731.15 points or 3.3 per cent higher to close at 22,765.04, a few points off the day's highs. On Thursday the index lost 543.64 points to 22,033.89.

Advances led declines seven to one in turnover of 850m shares against 700m on Thursday.

Next week's stock market performance will continue to be influenced by Wall Street. Brokers said that although Friday's trade looked stable, it was difficult to predict any clear near-term direction for Tokyo's market.

"It is still unclear how much Wall Street's swift fall will affect the world economy," said one Japanese broker.

Some said a U.S. recession could press Japan into extra stimulation of its own economy to import more from the U.S., so stocks related to domestic demand expansion were good bets. Brokers said news the British government will press ahead with the upcoming sale of its British Petroleum (BP) shares, despite London's weak stock market, had little effect. Major Japanese securities houses are underwriters for the BP sale.

Foreigners bought more stocks than in recent days, but continued to be net sellers, brokers said. Institutions, securities houses and trust banks were buyers, they added.

Securities house, bank, electronics, communications, credit/lease, pharmaceutical, gas, railway, construction, general manufacturing and trucking shares rose. No sectors of stocks fell, but shipping, fisheries and insurance were mixed.

AUSTRALIA

Concern over the Australian dollar's weakness and Wall Street's likely overnight performance saw the national share market close up but well off the day's early highs, brokers said.

They said solid performances on Wall Street and in London overnight sparked the early buying spree.

However, falling bullion prices and the continued weakness of the Australian dollar saw prices pull back.

At the close the All Ordinaries index was up 8.1 points, or 0.6 pct, at 1,292.1. The All Industrials rose 9.1 to 1,991.1. An almost $11 fall in bullion overnight to $466.25 an ounce in New York, and further falls here to $464.90/465.40, saw gold-related stocks fall sharply.

International Stock Markets round-up, Weekend FT Page 111.

CANADA

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

Indices

NEW YORK — DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

CURRENCIES AND MONEY

FOREIGN EXCHANGES

Dollar steady in nervous trade

THE DOLLAR was relatively stable yesterday, in nervous foreign exchange trading. Dealers were concerned about the various statements make by economic leaders this week, and believed there was a strong undercurrent of disagreement among the members of the Group of Seven.

Japan's trade surplus in September widened to $8.85bn from $6.21bn in August, increasing fears that the US trade deficit for September, expected on November 12, will be disappointing.

The dollar closed unchanged at DM1.7280, and rose to FFr5.8725 from FFr5.8250 and to Y138.35 from Y138.15, but eased to SFr1.4295 from SFr1.4335.

On Bank of England figures the dollar's index rose to 98.5 from 98.3.

STERLING - Trading range against the dollar in 1987 is 1.7220 to 1.4710. September average 1.6456. Exchange rate index was unchanged at 74.6, compared with 73.2 six months ago.

Sterling finished the week at the highest level against the dollar since September 1982. It rose 15 points to close at $1.7215-1.7225. The pound also rose to DM2.9750 from DM2.9725; to FFr10.1125 from FFr10.0225; and to Y238.25 from Y237.75, but eased to SFr2.4625 from SFr2.4675.

D-MARK - Trading range against the dollar in 1987 is 1.9305 to 1.7280. September average 1.8122. Exchange rate index 149.8 against 146.8 six months ago.

The D-Mark maintained a strong upward trend. The dollar closed little changed at DM1.7270, compared with DM1.7260 on Thursday, but underlying sentiment was very weak.

The Bundesbank did not intervene when the dollar was fixed at DM1.7398 in Frankfurt, compared with DM1.7360 on Thursday.

In Paris the D-Mark rose to a record high of FFr3.3995 against the French franc, but eased back slightly to FFr3.3975 at the close, compared with FFr3.3725 on Thursday.

JAPANESE YEN - Trading range against the dollar in 1987 is 159.45 to 138.15. September average 143.19. Exchange rate index 226.3 against 225.6 six months ago.

The yen showed little change against the dollar in Tokyo. The US currency closed at Y138.55, compared with Y137.55 on Thursday, but down from the New York finish of Y138.75.

Dealers suggested the dollar could fall to Y135 next week. The Bank of Japan bought about $500m, without having much impact on the market.

£ IN NEW YORK

Oct.30	Latest	Previous Close
£ Spot	1.7205-1.7215	1.7185-1.7195
1 month	0.32-0.29pm	0.28-0.26pm
3 months	0.70-0.65pm	0.56-0.53pm
12 months	2.00-1.85pm	1.55-1.45pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Oct.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7090-1.7265	1.7215-1.7225	0.33-0.30cpm	2.20	0.72-0.67pm	1.61
Canada	2.2525-2.2694	2.2640-2.2650	0.32-0.20cpm	1.38	0.63-0.47pm	0.97
Netherlands	3.34-3.36	3.34-3.35	[illegible]	4.26	[illegible]	3.81
Belgium	62.20-62.40	62.20-62.30	13-9cpm	2.12	35-26pm	1.77
Denmark	[illegible]	[illegible]	[illegible]	-1.04	[illegible]	-1.39
Ireland	1.1210-1.1275	1.1230-1.1240	0.04dis-0.06pm	0.11	0.07dis-0.08pm	0.02
W. Germany	2.97-2.98	2.97-2.98	[illegible]	5.55	[illegible]	5.13
Portugal	236.56-240.63	239.63-240.60	55-110cdis	-4.13	240-324dis	-4.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

	Oct.30	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Oct.30	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for Oct.30 1.74545

CURRENCY MOVEMENTS

Oct.30	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Oct.30	£	$
[illegible]	[illegible]	[illegible]
Kuwait	0.47580-0.47660	0.27700-0.27730
Luxembourg	62.20-62.30	36.10-36.20
Malaysia	4.2950-4.3350	2.5135-2.5155
Mexico	2823.35-2841.75	1639.00-1649.00
N. Zealand	2.9070-2.9170	1.6920-1.7010
Saudi Ar.	6.4425-6.4480	3.7500-3.7510
Singapore	3.5350-3.5700	2.0695-2.0705
S. Af (Cm)	3.4635-3.4745	2.0060-2.0140
S. Af (Fn)	6.0480-6.2675	3.5090-3.6365
Taiwan	51.25-51.50	29.90-30.00
U.A.E.	6.3090-6.3150	3.7625-3.6735

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Oct.30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Oct.30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	0.989	1.703	2.942	235.6	10.	2.435	3.308	2169.	2.239	61.56
S Fr.	0.406	0.699	1.208	96.75	4.107	1.	1.358	890.9	0.920	25.28
H Fl.	0.299	0.515	0.889	71.23	3.023	0.736	1.	655.8	0.677	18.61
Lira	0.456	0.785	1.356	108.6	4.610	1.123	1.525	1000.	1.032	28.38
C $	0.442	0.760	1.314	105.2	4.466	1.087	1.477	968.8	1.	27.49
B Fr.	1.606	2.766	4.779	382.7	16.24	3.956	5.373	3524	3.638	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates firmer

INTEREST RATES rose on the London money market yesterday, as it became clear there would be no change in bank base rates before the weekend. Three-month interbank rose to 9¾-9⅝ p.c. from 9⅛-9 p.c.

The Bank of England initially forecast a money market shortage of £750m, but revised this to £850m at noon. Total help of £943m was provided.

UK clearing bank base lending rate 9½ per cent from October 26

The authorities did not intervene in the market before lunch. In the afternoon the Bank of England bought £798m bills outright, by way of £786m bank bills in band 1 at 9¾ p.c. and £12m bank bills in band 2 at 9¾ p.c.

Late assistance of £145m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £958m, with the unwinding of repurchase agreements on bills absorbing £981m; a rise in the note circulation £440m; and bank balances below target £80m. These outweighed Exchequer transactions adding £1,730 to liquidity.

In Zurich the major Swiss banks announced a cut in customer time deposit rates by ¼ point to 3¼ p.c. The rate applies to maturities of three months to one year, on deposits held with Credit Suisse; Union Bank of Switzerland; Swiss Bank Corp; and Swiss Volksbank. Rates were last cut by ¼ point on October 23.

In Frankfurt call money fell sharply to 2.50 p.c from 3.25 p.c., as the West German Bundesbank withdrew its standing offer to supply three-day Treasury bills to the market at 3.20 p.c.

The banking system was awash with funds as the the central bank decided to temporarily suspend the sale of bills, and effectively allow rates to fall below the normal floor level.

The Bundesbank has pumped money into the system this week, in the face of criticism by the US and Britain about tight monetary policy.

The West German economics minister defended his country's economic policy on Thursday, but there is obvious concern about tension in the European Monetary system. Funds moving out of the dollar and into the D-Mark are threatening to push the German currency through its ceiling in the EMS, and lead to a devaluation of the weaker members.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 30) 3 months US dollars		6 months US Dollars	
bid 7½	offer 7⅝	bid 7½	offer 7⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate		One month	5.42	Three year	8.03
Broker loan rate		Two month		Four year	
Fed.funds		Three month		Five year	
Fed.funds at intervention		Six month		Seven year	
		One year		10-year	
		Two year		30-year	

October 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	2.00-3.00	3.65-3.80	3.70-3.90	3.80-4.00	4.00-4.20	5.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7½
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	[illegible]	[illegible]	-	[illegible]	-	-
Tokyo	3.46875	3.84375	-	3.96875	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	7.00	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

October 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	9	9	9	9
Local Authority Bonds	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	9	[illegible]	[illegible]	-
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	9	-	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Dollar CDs	-	-	7.10-7.05	7.55-7.50	7.60-7.55	7.90-7.85
SDR Linked Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9 per cent; three months 8⅞ per cent; Bank Bills (sell): one-month 9⅝ per cent; three months 8⅝ per cent; Treasury Bills; Average tender rate of discount 9.7858 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 30, 1987. Agreed rates for period November 25 to December 25, 1987, Scheme I: 11.36 p.c., Schemes II & III: 11.29 p.c. Reference rate for period October 1 to October 30, 1987, Scheme IV: 10.094 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1987: Bank Deposit Rates for sums at seven days notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month - per cent; one-three months - per cent; three-six months - per cent; six-nine months - per cent; nine-twelve months - per cent; Under £100,000 - per cent from October 26, Deposits withdrawn for cash - per cent.

LONDON STOCK EXCHANGE

BP issue dominates firm equity market

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

*New time dealings may take place from 9.00am two business days earlier.

A SUCCESSFUL start to dealings in the £7.2bn flotation of British Petroleum shares provided the feature of another successful recovery in the UK equity market yesterday.

The revival of confidence in prospects for the equity sector was carried a stage further, helped by the strength of the Wall Street market and by firmness in the dollar in the early part of the session.

The FT-SE 100 Index closed 67.8 up at 1749.8, after showing a 90 point gain at mid-session. The market looked tired at the close, and prices slipped off their best levels as the excitement over the BP issue faded away.

Trading in **British Petroleum**, which began at 2.30pm, dominated equity business. Outside the BP trading area, the market was still inclined to caution ahead of Monday, when the market faces a difficult Settlement Day as trading firms pay for shares sold in the dramatic slide in the market which started on Black Monday.

The BP launch proved very successful in the wake of the last minute arrangements announced by Mr Nigel Lawson, the UK Chancellor of the Exchequer. The final closing price of 85p for the new BP partly-paid shares was comfortably above the 70p safety-net price at which the Bank of England will buy stock - but nor was it any consolation to the major UK and foreign houses which underwrote the issue at 330p.

UK private investors were heavy buyers of the issue, and the underwriters were able to sell a part of their allocation in the marketplace. Turnover, at 129m shares, easily headed the list of active shares, and was mostly transacted between 84p and 87p.

The US trading houses, known to have expressed unhappiness with the underwriting loss, traded the stock heavily yesterday. But interest from the Japanese houses, which have been key players in the privatisation sector, was more difficult to identify yesterday.

The upturn in the market leaders featured **Imperial Chemical Industries**, after the investment press gave a generally favourable comment on the trading figures announced on the previous day. Buyers returned for such stocks as **Glaxo and Fisons**, which have suffered heavily during the market shakeout.

Insurance issues also attracted support as City analysts began to quantify the cost of the hurricane which hit Southern England a fortnight ago.

There was a downturn in gold shares as investors recovered some of their faith in industrial equities. **Consolidated Goldfields** provided one of the market's weak spots.

British Government bonds were pushed away from the centre of the stage, and suffered ½ points losses at the longer end as stock was sold by major trading houses bracing themselves for the opening of trading in BP.

While confidence that UK base rates will fall again shortly remained solid, it was clear from the money market trend that no move would be made yesterday, and this slackened willingness to hold on to Gilts over the weekend.

The authorities responded to the heavy off-take of bonds over the past fortnight by issuing three tranches of existing tap stocks, for a total of £600m, to enter the marketplace on Monday.

It was a busy session for Index-linked Gilts, which closed with falls of one point after fluctuating widely during the session. There was little selling, but buying interest dried up as investors took a new look at other market sectors.The financial sector played a major part in the general upturn in markets.

The clearing banks made strong progress led by **Lloyds**, up 15 at 270p, and **NatWest**, 12 higher at 580p. **Barclays** moved up a similar amount to 483p and **Midland** 10 to 368p. **Bank of Scotland** responded to Press comment with a 22 jump to 500p and **Royal Bank of Scotland** added 16 to 326p. **TSB** gained 2 to 109p ahead of Monday's egm.

Moorgate Mercantile leapt 25 to 93p after news that Woodchester had built up a 29.9 per cent stake in the company, while an announcement that insurance group Refuge had bought a 10.4 per cent stake in **London Scottish Finance** boosted the latter 2 to 93p.

Life assurances moved higher with **Prudential** outstanding and 32 better at 855p after a buy recommendation from broker Sheppards. **Pearl**, widely regarded as one of the best defensive stocks in the sector, put on 5 to 350p. Numerous features emerged in composites. **Royals**, strongly supported by SBCI Savory Milln, jumped 28 to 421p and **Sun Alliance**, which said its storm damage and motor claims since the recent hurricane and floods totalled around £64m, put on 38 to 858p. **GRE**, where Morgan Grenfell has reduced it profits estimate for the year from £205m to £194m, were only a shade up at 873p at the close.

Selective buying interest in the Brewery sector centred mainly on companies with the least exposure in the US. **Scottish and Newcastle** advanced to 222p before settling 14 to the good at 220p; the rise was also accompanied by Ron Brierley stake building rumours. **Whitbread** were also supported at 293p, up 8.

Leading Building issues continued to improve. **Blue Circle**, boosted by a broker's bullish comments following a visit to the company's US operations, gained 30 to 359p in a market none-too-well supplied with stock; brokers Wood Mackenzie reckon that the company's low multiple is discounting all possible bad US news, but none of the relatively better UK market conditions. **BPB Industries** continued to benefit from speculative buying activity and touched 295p prior to easing back to close 9 higher on balance at 285p. **Tarmac** picked up 11 at 234p and **Redland** revived with a gain of 13 at 404p. **Barratt Developments** put on 9 to 160p as bid speculation revived and **Costain** firmed 7 to 240p. Buyers returned for **Taylor Woodrow** which closed 13 up at 349p. **John Mowlem** rallied 9 to 348p and **AMEC**, in belated response to Thursday's contract awards, rose 12 to 307p. Trading prospects in the wake of the recent storm damage helped **Marley** improve 8 to 149p. Elsewhere, **Barnett and Hallamshire** added ½ to 18p following the sale of its Rexco smokeless fuels subsidiary to Coalite for some £2m; B & H will use the money received to reduce borrowings.

ICI rallied strongly in response to the third-quarter results; the shares, down to 980p on Thursday, picked up amid more favourable currency and equity market trends to close ⅞ at £11. **Laporte** improved 9 to 370p, but **Wardle Storeys** gave fresh ground to close 33 lower at 465p.

Store issues were at the forefront of the market advance and attracted heavy buying interest in the wake of the recent cut in base rates and on the prospect of another reduction in the near future. The top quality counters proved especially in demand, led by **GUS 'A'**, up ⅞ at £12⅞. **Marks and Spencer**, which earlier in the week announced interim profits up a slightly disappointing 13 per cent,hardened to 204p and **Woolworths** jumped 17 to 332p. **Sears** raced up 6 to 137p as securities house County NatWest described the shares as oversold. **Burton Group** spurted 17 to 243p with County NatWest the latest in a long line of brokers to recommend the shares; Burton's interim results are expected on or around November 16. **Laura Ashley and Ratners**, unsettled recently by their US exposure, rallied well with the latter 14 up at 266p and the former 9 higher at 130p. **Etam** remained an extremely firm market and put on 18 more to 271p. Electricals and electronics issues advanced across a broad front but many closed well below the day's highs. **Cable & Wireless** jumped 31 to 321p on a turnover of over 9.1m after the rally in Far Eastern markets. **British Telecom** hardened 2 to 237p, after 242p, while **Plessey** added 7 to 152p after 156p with over 13 shares going through the system. **Racal** moved to 213p early on but slipped back to close a net 15 higher at 210p as a US house unloaded the shares towards the close. A County NatWest recommendation helped **BICC** edge up 5 to 306p. **Thorn EMI**, very badly mauled in the recent market collapse, rallied strongly and closed 30 higher at 474p.

Engineers joined in the further recovery movement, with **Hawker** noteworthy for a rise of 15 at 429p among the leaders. **Glynwed** were also outstanding, rallying 33 further to 420p. **Rolls-Royce** traded on a lively note (7.8m shares) and settled 7 to the good at 136p. **F. Cooper** edged up a few pence more to 156p in response to the preliminary figures.

Both Food Manufacturers and Retailers gave a much brighter performance. Dairy stocks were more popular than of late with **Unigate** rising 18 to 289p and **Northern Foods** improving 11 to 246p. **United Biscuits** picked up 11 at 271p and **Hillsdown** revived with a gain of 12 at 264p. **Tate and Lyle**, a particularly dull market recently, managed a small rally and closed 7 dearer at 620p. **Booker**, in a restricted market, put on 32to 373p while **Associated British Foods**, half-year figures due on Monday, firmed 18 to 310p. Old takeover favourite **Cadbury Schweppes** put on 9 to 236p and **Rowntree** improved a similar amount to 425p. Retailers featured **Argyll** which rose 9 to 194p on thoughts that the shares were relatively cheap to the sector as a whole. **Tesco** firmed 3 to 170p and **ASDA-MFI** gained 10 to 177p.

Barker and Dobson put on 8 to 182p.

Hotels staged a strong revival as currency pressures relented. **Grand Metropolitan** rallied 32 to 394p and **Ladbroke**36 to 342p. **Trusthouse Forte** were 11 higher at 206p.

International stocks took a distinct turn for the better, sentiment being assisted by a further good performance in the first few hours of trading on Wall Street yesterday. A steadier trend in the US dollar also helped to boost confidence and prices, although below the best, recorded some noteworthy gains. Trading conditions were not particularly lively, with most of the attention in the afternoon session centred on the start of dealings in the new BP shares. Nevertheless, **Glaxo** staged a further useful rally to close higher at £11⅜, while **Beecham** regained 30 more to 423p. **Hanson Trust** touched 140p before settling 7 to the good at 137p. **Boots**, regarded as a defensive issue along with other selected store shares, advanced 13 to 252p, after touching 260p at one stage. Among the other miscellaneous industrial leaders, **Pilkington** enjoyed a reasonably brisk trade (some 5m shares changed hands) and closed 5 to the good at 218p. Elsewhere, **Reuters**, a particularly weak market of late on its exposure to to the US, picked up to close 43 dearer at 464p. **British Aerospace**, however, continued to reflect currency worries and gave up 10 more to 358p, while **Cookson**, unsettled by fears of competition in the titanium dioxide market, reacted afresh to close 18 cheaper at 512p. **British Airways** picked up 10 to 145p in a volume of some 9.7m shares, while **Arenson** featured a jump of 18 at 98p in further response to the bumper preliminary figures. **Metal Closures**, reflecting news that Suter had increased its stake to 22.8 per cent, improved 5 to 149p.

A steadier US dollar helped **Jaguar** regain composure and the price rallied 28 to 329p. **Lucas** were a better market at 516p, up 22.

Newspapers provided one of the day' outstanding features in **United Newspapers** which spurted 53 to 453p in the wake of a strong buy recommendation from Kleinwort Grieveson who say the recent 30 per cent fall in the shares was "wildly overdone" and "presents a highly attractive buying opportunity". Unsettled on Thursday by suggestions that the City property boom may have stalled, Leading Properties perked up yesterday and registered useful gains. **Land Securities** rallied 25 to 450p while **MEPC** gained 15 at 410p. **British Land** improved 17 at 225p. **Peachey**, 325p, and **Slough Estates**, 217p, gained around 5 apiece. Elsewhere, **Helical Bar** revived with a gain of 15 at 222p and **Wates City of London** rallied 17 to 151p. **Control Securities** added 4 to 55p helped by property disposal news.

Bat Industries, particularly hard hit in the recent rout because of worries about the company's exposure in the US, began to show signs of resistance and closed 18 better at 436p. **Rothmans**, an old takeover favourite, regained 14 to 345p.

The BP flotation predictably captured all the attention in oil markets but **British Gas** traded well prior to 2.30pm and eventually settled 7 higher at 152p, after 156p, with over 20m shares changing hands.

Traded option business was higher with some 39,621 contracts arranged. Calls totalled 26,006 and puts 13,615. BP, following the start of dealings in the partly-paid shares, attracted 5,727 calls and 2,675 puts. **Hanson Trust** calls were again in demand with a total of 3,979. HT puts were only 234. The FTSE contract attracted 1,248 calls and 1,262 puts.

FINANCIAL TIMES STOCK INDICES

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	89.87	90.14	90.14	88.92	89.68	82.60	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.76	93.68	93.69	93.19	93.42	88.87	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1360.9	1303.4	1288.5	1322.0	1307.1	1285.4	1,926.2 (16/7)	1,288.5 (28/10)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	312.1	309.9	323.8	330.2	350.5	277.2	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.55	4.76	4.80	4.66	4.67	4.38				
Earnings Yld.%(full)	11.30	11.83	11.93	11.57	11.50	10.12				
P/E Ratio (net) (*)	10.82	10.34	10.26	10.57	10.66	12.11				
SEAQ Bargains (5 pm)	59,138	37,681	45,378	57,523	57,989	—				
Equity Turnover (£m)	—	1390.19	1832.31	1843.51	1493.72	1512.78				
Equity Bargains	—	47,971	58,079	74,392	78,322	49,590				
Shares Traded (ml)	—	549.3	723.4	778.6	659.2	389.6				

S.E. ACTIVITY

Indices	Oct. 29	Oct. 28
Gilt Edged Bargains	141.9	152.6
Equity Bargains	310.8	376.3
Equity Value	2811.4	3703.6
5-Day Average		
Gilt Edged Bargains	154.0	153.7
Equity Bargains	463.8	550.7
Equity Value	3873.6	4398.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1355.1	1355.6	1358.7	1371.8	1372.6	1375.4	1379.3	1358.3

Day's High 1379.6 Day's Low 1348.6 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=10.67.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
Allied Lyons (*344)	330	40	50	63	25	30	35
	360	23	38	48	40	45	50
	390	14	25	38	60	65	70
Brit. Airways (*145)	140	30	40	50	18	28	30
	160	17	28	40	30	35	40
	180	10	17	27	45	50	50
Brit. & Comm. (*355)	300	65	85	100	20	25	35
	330	50	80	90	30	45	50
	360	30	50	60	45	55	65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
LASMO (*250)	220	42	—	—	15	—	—
	240	32	45	57	20	30	40
	260	22	33	43	30	40	50
Pilkington (*221)	200	40	52	58	12	17	23
	220	18	38	43	18	23	30
	240	10	25	33	30	35	40
Plessey (*152)	140	24	35	43	8	17	21
	160	11	23	32	23	30	33
	180	7	14	20	35	40	45
Prudential	800	100	140	170	40	60	70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 30. Total Contracts 39,621. Calls 26,006. Puts 13,615. FT-SE Index Calls 1,248. Puts 1,262. *Underlying security price.

Traditional Options

● First dealings Oct 19● Last dealings Oct 31● Last declarations Jan 21● For Settlement Feb 01*For rate indications see end of London Share Service*

Stocks dealt in for the call included Control Securtiies, Talbex, Astra Industrial, TSB, Plessey, BAA, Rothmans, Amstrad, CH Bailey, Glaxo, NatWest, Pavion, Hawley Group, Polly Peck, ICI, Morgan Grenfell, Wellcome, Astra Holdings, GEC, Jaguar, Barratt Developments, B. Matthews, Platignum, Trusthouse Forte, Redfearn, Premier Consolidated, Norex, Eagle Trust, Northern Foods, Crest Nicholson, STC, Hanson Trust, Powerscreen, Aran Energy, William Morrison Supermarkets, Blacks Leisure, Amber Day, Regalian, Acorn Securities, Tranwood and Energy Capital.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (2)
BREWERS (1) Macallan-Glenlivet, BUILDINGS (1) Gibbs & Dandy.

NEW LOWS (77)
AMERICANS (2), CANADIANS (7), BANKS (1), BREWERS (1), BUILDINGS (2), ELECTRICALS (1), ENGINEERING (2), INDUSTRIALS (6), INSURANCE (4), LEISURE (2), NEWSPAPERS (2), PAPERS (1), PROPERTY (2), TEXTILES (1), TRUSTS (17), OILS (2), MINES (24).

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ф Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

Corporation and County Stocks

No. of bargains included7

London County2½% Cons Stk 1920(or after) - £20

Greater London Council6¾% Stk 90/92 - £96 ½ (27Oc87)

Birmingham Corp3½% Stk 1946(or after) - £24 (26Oc87)

Birmingham District Council11½% Red Stk 2012 - £101 (23Oc87)

Bristol(City of)11½% Red Stk 2008 - £105 (28Oc87)

Banks and Discount Companies

No. of bargains included2133

Barclays Bank PLC7½% Uns Cap Ln Stk 86/91 - £89½ (23Oc87)

8¾% Uns Cap Ln Stk 86/93 - £88½ 90% 1½ %

12% Uns Cap Ln Stk 2010 - £112½ ½ % ¾ % ¾ 3¾

16% Uns Cap Ln Stk 2002/07 - £139½ % 40

UK Public Boards

Commonwealth-Government

Foreign Stocks, Bonds, etc-(coupons payable in London)

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Sterling Issues by Overseas Borrowers

Financial Trusts, Land, etc

Insurance

Investment Trusts

Unit Trusts

USM Appendix

Mines - South African

Oil

Property

Plantations

Railways

Shipping

Utilities

Water Works

Mines - Miscellaneous

Shield Group PLC5.84% Net Cnv Cum Red Prf £1 - 89ф 9ф 9ф

Sigmex International PLCOrd 10p - 75 82

Splash Products PLCOrd 10p - 77

Stanhope Properties PLCNew Ord 25p (Fp/LA-12/11/87) - 160 60 1 2 3 3 5 5

Ord £1 - 140 (28Oc87)

Tubular Exhibition Group PLCNew Ord 5p (Fp/LA-20/11/87) - 22½ 3 4 5

URS International IncNew Shs of Com Stk $0.01 (Fp/LA-9/11/87) - 65 (28Oc87)

WSP Holdings PLCOrd 5p - 77

The Third Market Appendix

No. of bargains included57

Kemp (P.E.) Hldgs PLCOrd 5p - 83 5 (28Oc87)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aberfoyle 200.024ф

Abitibi-Price C$20½ф

Acorn Securities 37ф 40ф 2ф 3ф 5ф 32 3 4 5 7 41½

Airship Inds 22ф 3ф 19 29 1 2 3

Albertson's Inc £14⅛

Alliance & Leicester 9½pc 1991 96⅛

Alliance & Leicester 10½pc 1992 100⅛

Alltel Corp 310 (22/10)

American Barrick Resources Corp Com NPV

Nationale-Nederlanden CVA (FL2.5) FL49ф 49.35ф 50¼d FL48.15, 48.45, 49, 49.05, 49⅛

New Town (N.T.) Properties HK$3.55

Night Hawk Resources 30 (23/10)

Niugini Mining 225ф A$6.2ф 6.3ф

North Flinders Mines 500ф A$12.4ф A$11.406 (23/10)

Oceaneering Int 138, $2.0, 2⅛ (27/10)

Oil Search 62ф 55, 57

Oilmet Invests 18 (22/10)

Palabora Mining R33¼ (28/10)

Pan Australian Mining 108 (28/10)

Petro Eergy 2½ (26/10)

Pioneer Electronic Corp Y2090, 2093, 42, 2120

Plenty River Mining Co 6½ (28/10)

Poseidon 163ф 140, 45, 48, A$3.912

Quaker State Corp £10½ф (22/10)

Range Resources A$0.316

Regal Hotels (Holdgs) HK$3.8ф (27/10)

Royex Gold Mining Corp 330ф (22/10)

Schering-Plough £22¾ф 24ф (27/10)

Sky Line Eplorea C$10⅛ф 10⅜ф 10½ф

Societe Nationale Elf Aquitaine Fr266ф $45.95 47.43 Fr266 68 69 70 72 75½ 79 86 87 91.207 94.275 95.169

Sonora Gold Corp 480ф (23/10)

Source Perrier Fr655 (26/10)

Southland Corp $50ф (23/10)

Southwest Gold Mines NL6 A$0.152

Square Gold & Minerals 22 (27/10)

Sumitomo Metal Inds 7303.27 (27/10)

Sun Hung Kai Props HK$8.95 9.15

Swire Pacific B HK$2.2 2.25

Tandem Resources 140ф (22/10)

Target Petroleum 42ф $0.86 (28/10)

Target Petroleum ($A0.15) 17

Third Canadian Gen Inv Tst £15½ф (28/10)

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

By permission of the Stock Exchange Council

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 29 1987					WEDNESDAY OCTOBER 28 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	97.40	−10.6	83.93	97.30	4.27	108.93	94.42	103.63	180.81	97.40	90.17
Austria (16)	93.33	−0.9	80.43	84.13	2.45	94.19	81.64	85.71	102.87	85.53	93.46
Belgium (48)	97.14	−4.5	83.71	86.96	5.40	101.75	88.19	92.09	134.89	96.19	88.43
Canada (129)	99.66	+1.5	85.88	95.08	3.14	98.15	85.07	93.71	141.78	98.15	98.47
Denmark (38)	105.65	−1.4	91.04	95.80	3.06	107.11	92.83	98.11	124.83	98.18	95.57
France (121)	84.01	+6.2	72.39	76.76	3.57	79.10	68.56	72.90	121.82	79.10	93.33
West Germany (93)	77.58	−2.9	66.85	69.69	2.69	79.93	69.28	72.84	104.93	77.58	90.28
Hong Kong (46)	85.17	−7.2	73.39	85.35	5.68	91.75	79.52	91.95	158.68	85.17	89.78
Ireland (14)	108.81	+2.4	93.77	99.62	4.46	106.30	92.14	98.51	160.22	99.50	82.32
Italy (95)	76.66	−4.0	66.06	72.23	2.63	79.84	69.20	75.64	112.11	76.66	100.29
Japan (458)	129.46	−1.3	111.56	113.05	0.60	131.12	113.65	115.41	161.28	100.00	89.25
Malaysia (36)	103.70	−2.2	89.36	100.22	3.63	105.99	91.86	102.69	193.64	98.24	104.07
Mexico (14)	221.35	−0.9	190.74	396.91	0.75	223.38	193.61	400.54	422.59	99.72	82.67
Netherland (37)	96.50	+1.8	83.15	85.55	5.16	94.77	82.14	85.42	131.41	94.77	92.32
New Zealand (23)	85.06	−6.3	73.29	76.87	3.96	90.77	78.68	80.80	138.99	83.93	84.15
Norway (24)	116.74	−5.4	100.60	103.87	2.65	123.37	106.93	109.13	185.01	100.00	100.14
Singapore (27)	90.19	−1.8	77.72	86.00	2.77	91.80	79.57	87.80	174.28	90.19	103.49
South Africa (61)	128.27	−6.4	110.54	101.98	4.22	137.02	118.76	106.05	198.09	100.00	93.61
Spain (43)	115.39	−9.6	99.43	101.40	4.02	127.70	110.68	110.96	168.81	100.00	86.51
Sweden (34)	97.70	−7.2	84.19	89.60	2.54	105.22	91.20	97.16	136.64	90.85	99.82
Switzerland (53)	81.49	+0.7	70.22	72.42	2.28	80.90	70.12	72.43	111.11	80.90	90.73
United Kingdom (333)	118.36	+1.8	101.99	101.99	4.43	116.25	100.76	100.76	162.87	99.65	91.31
USA (583)	99.85	+4.9	86.04	99.85	3.70	95.18	82.50	95.18	137.42	92.83	101.49
Europe (949)	97.66	+0.0	84.16	86.42	3.83	97.63	84.62	87.05	130.02	97.63	92.18
Pacific Basin (680)	126.56	−1.7	109.06	111.43	0.82	128.75	111.59	114.04	158.77	100.00	89.34
Euro—Pacific (1629)	115.04	−1.1	99.13	101.46	1.85	116.34	100.83	103.27	143.65	100.00	90.46
North America (712)	99.83	+4.7	86.02	99.60	3.67	95.34	82.63	95.12	137.55	93.20	101.33
Europe Ex. UK (616)	84.82	−1.5	73.10	76.75	3.31	86.08	74.61	78.59	111.97	84.82	92.78
Pacific Ex. Japan (222)	91.55	−8.6	78.90	90.60	4.60	100.13	86.79	96.44	164.03	91.55	91.21
World Ex. US (1833)	114.71	−1.1	98.85	101.44	1.91	115.98	100.53	103.17	143.38	100.00	90.77
World Ex. UK (2083)	108.03	+0.9	93.09	100.89	2.34	107.12	92.84	100.40	138.82	100.00	95.30
World Ex. So. Af. (2355)	108.81	+1.0	93.76	100.92	2.53	107.73	93.37	100.33	139.47	100.00	94.95
World Ex. Japan (1958)	99.12	+2.4	85.41	94.85	3.76	96.81	83.91	92.76	134.22	96.44	97.68
The World Index (2416)	108.93	+0.9	93.87	100.96	2.55	107.92	93.54	100.40	139.73	100.00	94.94

Base values: Dec 31, 1986 = 100

New York market closed at 14.00hrs. local time October 28 and 29.
Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Nov 87		Feb 88		May 88		
GOLD C	$460	286	16	208	32	5	44.50	$469.50
GOLD C	$480	260	6.50A	11	22.50A	—	—	"
GOLD C	$500	24	2.50	102	14.50	5	27	"
GOLD C	$520	31	2	4	10.50	—	—	"
GOLD P	$380	34	0.30	—	—	—	—	"
GOLD P	$420	—	—	1	7.50	35	8.50	"
GOLD P	$440	14	2.50	20	11.50	90	13	"
GOLD P	$460	—	—	929	16.50	20	20.50	"
		Dec 87		Mar 88		Jun 88		
SILVER C	$700	39	90	1	90	—	—	$705
SILVER C	$800	20	16	—	—	—	—	"
SILVER P	$750	25	65	—	—	—	—	"
SILVER P	$900	10	230	—	—	—	—	"
		Nov. 87		Dec. 87		Jan. 87		
$/FL C	FL195	20	3	6	3.80	—	—	FL194.53
$/FL C	FL200	9	1.50	312	1.90	20	2.80	"
$/FL P	FL190	—	—	446	2.50	27	2.80	"
$/FL P	FL195	135	3	280	4.10	10	4.80B	"
$/FL P	FL200	213	5.70	122	6.80	—	—	"
$/FL P	FL205	5	10	240	10.80	—	—	"
		Mar. 88		June 88		Sep. 88		
$/FL C	FL190	1	8.80	—	—	16	10	FL194.53
$/FL C	FL195	80	5	10	7.20	10	8	"
$/FL C	FL200	2	3.50	13	4.40	6	5.80	"
$/FL C	FL205	3	2.50	10	3.20	—	—	"
$/FL P	FL195	16	6.60	1	9	15	10.50B	"
$/FL P	FL200	20	9.80	—	—	—	—	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	FL70	10	0.70	—	—	—	—	FL39.50
AHOLD C	FL70	102	6.80	—	—	—	—	FL69.50
AHOLD P	FL70	54	7.30	20	8	1	8.50	"
AKZO C	FL120	639	12	18	16	25	18.70	FL120
AKZO P	FL110	304	6.70	19	10.50	25	13.50	"
AMEV C	FL45	83	3.60B	5	4.50A	11	5	FL42.90
AMEV P	FL60	10	19	50	19.50A	—	—	"
AMRO C	FL65	226	3.40	58	5.20	2	5.50	FL62.70
AMRO P	FL60	75	3	10	5.40	—	—	"
ELSEVIER C	FL50	209	2.20	54	3.80	15	4.20	FL44.40
GIST-BROC. C	FL40	88	2.10	33	4.20	—	—	FL35.60
GIST-BROC. P	FL35	90	3.10	—	—	1	5	"
HEINEKEN C	FL140	142	11.90	10	15	2	19	FL139
HOOGOVENS C	FL45	66	1.10	—	—	—	—	FL34.50
KLM C	FL40	396	2.90	79	4.20	14	4.80	FL35.10
KLM P	FL55	145	20	29	21.50	—	—	"
NEDLLOYD C	FL140	65	19.50	—	—	—	—	FL139.50
NAT NED C	FL65	108	1.50	—	—	—	—	FL53.20
NAT NED P	FL50	89	3.50	5	5	12	6	"
PHILIPS C	FL40	702	2	513	3	70	3.20	FL35.10
PHILIPS P	FL40	376	6.80	96	8	62	9	"
ROYAL DUTCH C	FL220	880	14.50	16	21	—	—	FL215.90
ROYAL DUTCH P	FL240	369	27	16	32	15	36.50	"
ROBECO C	FL100	185	2.50	53	4	—	—	FL86.10
ROBECO P	FL80	325	40	10	5.50	—	—	"
UNILEVER C	FL128	242	4.30	—	—	—	—	FL101.50
UNILEVER P	FL100	377	5.10	21	8.50	16	12.50	"

TOTAL VOLUME IN CONTRACTS: 42,790

A=Ask B=Bid C=Call P=Put

RISES AND FALLS

	Yesterday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	7	101	5	330	222	11
Corporations, Dom. and Foreign Bonds	2	19	34	65	58	152
Industrials	847	213	523	1,972	3,897	2,058
Financial and Props.	331	82	216	677	1,620	852
Oils	50	13	51	134	265	171
Plantations	2	1	11	6	17	47
Mines	40	51	104	138	488	349
Others	145	34	86	328	666	339
Totals	1,424	514	1,030	3,650	7,233	3,979

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on Thursday October 29 1987

Publishing and Printing	+20.00	Stores	+ 3.46
Mining Finance	+17.57	Electricals	+ 2.91
Overseas Traders	+13.85	500 Share Index	+ 2.74
Merchant Banks	+12.16	All-Share Index	+ 2.47
Property	+10.84	Industrial Group	+ 1.42
Oils and Gas	+10.78	Financial Group	+ 1.35
Insurance (Composite)	+ 8.41	Capital Goods	− 1.21
Contracting, Construction	+ 8.21	Brewers and Distillers	− 1.57
Textiles	+ 7.89	Other Groups	− 1.72
Food Retailing	+ 7.85	Packaging and Paper	− 1.98
Shipping and Transport	+ 7.45	Other Industrial Materials	− 3.32
Metals and Metal Forming	+ 7.27	Electronics	− 4.23
Food Manufacturing	+ 6.25	Investment Trusts	− 4.85
Building Materials	+ 5.32	Conglomerates	− 5.34
Insurance (Life)	+ 4.75	Chemicals	− 5.89
Consumer Group	+ 4.70	Motors	− 6.18
Telephone Networks	+ 4.55	Mechanical Engineering	− 9.36
Leisure	+ 4.20	Banks	− 9.90
Health and Household Products	+ 3.96	Agencies	−16.71
Gold Mines Index	+ 3.92	Insurance Brokers	−27.77

BANK RETURN

BANKING DEPARTMENT	Wednesday October 28, 1987	Increase (+) or decrease (−) for week
LIABILITIES	£	£
Capital	14,553,000	— —
Public Deposits	91,198,735	− 2,560,687
Bankers Deposits	1,118,667,466	+ 83,612,411
Reserve and other Accounts	1,967,389,990	+ 326,435
	3,191,809,191	+ 81,378,159
ASSETS		
Government Securities	963,158,181	+ 239,085,000
Advance and other Accounts	1,010,387,811	− 251,033,205
Premises Equipment & other Secs	1,211,744,927	+ 91,393,000
Notes	6,246,833	+ 1,972,768
Coin	271,439	+ 10,596
	3,191,809,191	+ 81,378,159

ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes in Circulation	13,253,753,167	+ 48,027,232
Notes in Banking Department	6,246,833	+ 1,972,768
	13,260,000,000	+ 50,000,000
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	7,921,023,523	− 1,261,461,522
Other Securities	5,327,961,377	+ 1,311,461,522
	13,260,000,000	+ 50,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	9½	● Charterhouse Bank	9½	Nat Bk. of Kuwait	9½
Adam & Company	9½	Citibank NA	9½	NatWestminster	9½
Allied Arab Bk Ltd	10	City Merchants Bank	9½	Northern Bank Ltd	9½
Allied Dunbar & Co	9½	Clydesdale Bank	9½	Norwich Gen. Trust	9½
Allied Irish Bank	9½	Comm. Bk. N. East	9½	PK Finans. Intl (UK)	10
American Exp. Bk.	9½	Consolidated Cred	9½	Provincial Trust Ltd	11
Amro Bank	9½	Co-operative Bank *	9½	R. Raphael & Sons	9½
Henry Ansbacher	10	Cyprus Popular Bk	9½	Roxburghe G'antee	10½
ANZ Banking Group	9½	Duncan Lawrie	9½	Royal Bk of Scotland	9½
Associates Cap Corp.	10	Equatorial Tst C'p plc	10	Royal Trust Bank	9½
Authority & Co Ltd	9½	Exeter Trust Ltd	10	Smith Williams Secs	9½
Banco de Bilbao	9½	Financial & Gen. Sec	9½	Standard Chartered	9½
Bank Hapoalim	9½	First Nat. Fin. Corp	11	TSB	9½
Bank Leumi (UK)	9½	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9½	● Robert Fleming & Co	9½	United Bk of Kuwait	9½
Bank of Cyprus	9½	Robert Fraser & Ptrs	10½	United Mizrahi Bank	9½
Bank of Ireland	9½	Girobank	9½	Unity Trust PLC	9½
Bank of India	9½	Grindlays Bank	9½	Western Trust	10
Bank of Scotland	9½	● Guinness Mahon	9½	Westpac Bank Corp	9½
Banque Belge Ltd	9½	HFC Trust & Savings	9½	Whiteaway Laidlaw	10
Barclays Bank	9½	● Hambros Bank	9½	Yorkshire Bank	9½
Benchmark Tst Ltd	9½	Heritable & Gen. Tst	9½		
Beneficial Trust Ltd	11	● Hill Samuel	§ 9½		
Berliner Bank AG	9½	C. Hoare & Co	9½		
Brit Bk of Mid East	9½	Hongkong & Shangh	9½		
● Brown Shipley	9½	Lloyds Bank	9½		
Business Mtge Tst	10	Meghraj & Sons Ltd	9½		
Cl. Bank Nederland	9½	Midland Bank	9½		
Central Capital	9½	● Morgan Grenfell	9½		
Cayzer Ltd	9½	Mt Credit Cpn Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Surewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.49%. Mortgage 11.125%.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	5,400	177	+10	Jaguar	3,450	329	+28
Allied Lyons	2,200	345	+6	Ladbroke	1,100	342	+36
Amstrad	2,900	125	+7	Land Securities	2,000	450	+25
Argyll Group	4,900	194	+9	Legal & Gen.	1,000	274	+9
Assoc. Brit. Foods	1,000	310	+18	Lloyds Bank	3,800	270	+15
BAA	2,900	112	+8	LASMO	413	249	+5
BAT	5,000	436	+18	Lonrho	2,100	240	+11
BET	3,500	226	+21	Lucas	1,100	516	+22
BICC	279	305	+4	MEPC	467	410	+15
BOC	2,400	337	+9	Marks & Spencer	5,900	204	+1
BPB Inds	2,300	285	+9	Maxwell Comm	1,100	234	+15
BTR	4,200	249	+14	Midland Bank	1,700	368	+40
Barclays	2,600	483	+10	Natwest Bank	4,000	580	+12
Bass	3,000	840	−13	Next	639	259	+10
Beecham	3,600	423	+30	Pearson	905	636	+38
Blue Arrow	2,800	106	+10	P & O	1,300	520	+35
Blue Circle	1,500	359	+30	Pilkington Bros	5,300	218	+5
Boots	4,200	252	+13	Plessey	13,000	152	+7
Brit. Airways	9,800	145	+10	Prudential	506	858	+35
Brit. Aero	2,200	358	−10	Racal	15,750	210	+15
Brit. & Comm.	723	355	+15	Rank Org.	396	515	+10
British Gas	19,00	152	+7	RHM	1,100	263	+3
Britoil	3,200	212	+6	Reckitt & Col	1,100	748	−13
BP	71,300	267	+8	Redland	1,300	404	+13
Brit. Telecom	14,00	237	+2	Reed Intl	1,600	389	+11
Bunzl	1,00	161	+10	Reuters	4,200	464	+43
Burton	5,500	243	+17	RTZ	3,200	348	+20
Cable & Wire	10,000	321	+31	Rolls-Royce	7,700	136	+7
Cadbury Schwps	5,900	236	+9	Rothmans Intl	483	345	+14
Coats Viyella	2,100	261	+9	Rowntree	450	425	+11
Comm. Union	1,200	331	+6	Ryl Bank Scotland	1,500	326	+16
Cons. Gold	595	825	+22	Royal Insurance	1,400	421	+28
Cookson	1,900	512	−18	STC	1,600	215	+10
Courtaulds	2,400	337	+11	Sainsbury	2,200	233	—
Dee Corpn	4,400	169	+1	Scott & Newcastle	1,700	222	+14
Dixons Group	2,900	259	+5	Sears	7,000	137	+6
Eng. China Clays	519	389	+24	Sedgwick	540	209	+3
Fisons	4,500	277	+16	Shell Trans	1,500	£10½	+⅛
Gen. Accident	247	818	+25	Smith & Nephew	1,700	145	+10
Gen. Elect	9,700	180	+8	Standard Chart	614	455	+5
Glaxo	4,100	£11⅝	+⅜	Storehouse	2,450	277	+9
Globe Investment	635	144	+9	Sun Alliance	396	858	+38
Granada	599	290	+11	TSB	6,300	109	+2
Grand Met	8,600	394	+32	Tarmac	2,000	234	+11
GUS "A"	625	£12½	+¾	Tesco	3,200	170	+3
Guardian R.E.	652	873	+3	Thorn EMI	2,600	470	+26
GKN	1,300	278	+7	Trafalgar House	6,250	312	+12
Guinness	5,500	257	+3	T'house Forte	3,800	206	+11
Hammerson	159	460	+7	Ultramar	564	215	−4
Hanson Trust	12,000	137	+7	Unilever	2,100	495	+27
Hawker Sidd	800	429	+15	United Biscuits	2,500	271	+11
Hillsdown Hldgs	1,200	264	+12	Wellcome	2,100	239	+22
	6,200	£10¼	+¾	Whitbread "A"	1,700	223	+8
				Woolworth	3,200	332	+17

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	92.4	92.8	—	8.19
(Accum Units)	109.8	110.3	—	8.19
Global Fund	38.3	40.5	—	0.84
(Accum Units)	38.5	40.5	—	0.84
High Income Fund	42.2	44.6	—	5.02
(Accum Units)	47.3	49.8	—	5.65
High Interest Fund	45.4	48.0	—	9.09
(Accum Units)	46.8	49.5	—	9.09
Income	96.4	102.0	—	2.31
(Accum Units)	111.4	117.8	—	2.31
International	233.7	247.5	—	1.52
(Accum Units)	293.0	310.0	—	1.52
Japan	167.1	176.8	—	0.79
(Accum Units)	171.6	181.5	—	0.70
Pacific Fund	32.7	34.6	—	0.18
(Accum Units)	32.7	34.6	—	0.18
Recovery	233.6	247.1	—	1.84
(Accum Units)	255.9	270.7	—	1.84
UK Smaller Co's Fund	43.6	46.1	—	2.04
(Accum Units)	44.0	46.5	—	2.04

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-495 1277

Merlin Oct 28	510.5	518.09	—	1.30

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	53.3	56.4	+1.1	5.30
Accum Units	53.8	57.2	+1.5	5.30
UK Growth Fund Acc	47.3	50.0	+1.2	2.00
Global Income Fund	44.1	46.9	-0.4	4.26
Accum Units	44.3	46.9	-0.4	4.26
Global Growth Fund	36.9	39.2	+1.5	0.64

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	97.6	103.8	+3.5	1.48
(Accum Units)	135.0	143.5	+4.8	1.48
Commodity & Gen.	140.6	149.2	-0.6	1.81
(Accum Units)	202.4	214.7	+0.8	1.81
European Growth	97.43	103.4	-1.6	1.38
(Accum Units)	117.5	124.9	-1.7	1.35
Extra High Inc	65.5	69.5	+1	7.17
(Accum Units)	81.5	86.5	+1.3	7.17

Provident Mutual Unit Trust Managers Ltd
25-31 Moorgate, London, EC2R 6BA. 01-588 [illegible]

PM Equity Growth	99.5	105.9	+2.7
PM Income and Growth	89.5	95.3	+2.3
PM N American Growth	41.4	44.0	+2.8
PM European Growth	39.2	41.6	-1.1
PM Japan Growth	59.3	63.0	+1.3
PM Overseas Growth	42.7	45.4	+1.5

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 [illegible]

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 [illegible]

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 [illegible]

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool 051-227 [illegible]

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt Edged Inc	235.2			
Do. Accum	290.9			—
Guaranteed Inc	159.8			—
Do. Accum	197.6			—
International Inc	351.6			—
Do. Accum	434.5			—
Index Lk. Gilt Inc	130.8			—
Do. Accum	161.7			—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	329.8	+0.8	—
Property Pens.	450.0	+1.6	—
Equity	159.9	+1.0	—
Equity Pens.	671.4	+6.0	—
Money Market	310.8	+1.7	—
Money Mkt. Pens.	561.9	+3.3	—
Deposit	241.1	+0.1	—
Deposit Pens.	387.6	+0.3	—
Managed	233.6	+3.0	—
Managed Pens.	473.8	+6.1	—
Intl. Equity	261.7	-0.8	—
Do. Pens.	407.9	-1.3	—
Intl. Managed	248.6	+0.5	—
Do. Pens.	355.0	+1.1	—
North American	103.9	+3.4	—
Do. Pens.	116.0	+3.8	—
Far East	198.3	-8.7	—
Do. Pens.	288.0	-8.4	—
Intnl. Currency	163.2	+1.2	—
Do. Pens.	215.4	+1.5	—
Index Linked	124.0	-0.6	—
S & C Managed Fd	109.8	-0.1	—
S & C Pens Mngd Fd	86.0	-0.1	—
Gall Chambers	109.7	+0.4	—
Lorar & Lorar	120.8	+0.1	—
Milton Mngd Fnd	157.1	+0.0	—
Trustlink Life Funds			
Per Worldwide Rec	120.8	-0.5	—
Per Far East Growth	140.6	-7.9	—
Per Intl Growth	119.4	-1.9	—
Per Income	135.1	+2.5	—
Per Emerging Co's	105.1	-1.9	—
Per American Growth	99.4	-1.1	—
Per European Growth	96.8	-2.7	—
Fra American & Gen	72.3	-2.4	—
Fra Capital	150.0	-1.4	—
Fra Income	157.6	+0.8	—
Fra Intl Growth	89.9	-1.8	—
Fra Japan & Gen	142.2	-2.9	—
Fra Recovery	143.1	-1.8	—
Fra Convertible & Gilt	130.2	+2.2	—
Fra European	106.3	-3.6	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds

Managed Fund	49.1	51.7	+1.4	—
Stock Market Mngd Fund	46.9	49.4	+1.7	—
Equity Fund	52.0	54.8	+2.1	—
International Fund	42.4	44.7	+1.6	—
European Fund	43.7	46.0		—
North American Fund	37.1	39.1	+0.7	—
Pacific Fund	51.5	54.3		—
Property Fund	53.6	56.5	+0.5	—
Fixed Interest Funds	50.6	53.3	-0.9	—
Index Linked Sec Fund	45.5	47.9	-0.3	—
Deposit Fund	51.8	54.6		—
NUAM Retirement Plans				
Mixed Fund	48.8	51.4	+0.3	—
UK Ordinary Share	54.2	57.1	+0.5	—
International Fund	40.9	43.1	+0.1	—
Property Fund	53.1	55.9		—
Fixed Interest Fund	53.0	55.8	+0.4	—
Index Linked Sec Fund	46.0	48.5		—
Deposit Fund	54.0	56.9		—
NUAM (SIP)				
Managed Fund	665.3	700.4	+18.2	—
Equity Fund	1343.5	1414.9	+52.0	—
Property Fund	333.8	351.4	+2.9	—
Fixed Interest Fund	372.7	392.4	-2.2	—
Deposit Fund	211.7	222.9		—
International Fund	110.1	115.9	+0.4	—
Index Linked Sec Fund	45.6	48.0	-0.3	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensioninvestor & Unit-Linked Plus

Fixed Interest Fund	248.7	261.7		—
Index-Linked Sec Fund	127.0	133.6		—
Ordinary Share Fund	490.5	516.3		—
International Fund	117.5	123.6		—
Property Fund	164.2	172.8		—
Deposit Fund	168.8	177.6		—
Mixed Fund	310.3	326.6		—
Norwich Units Oct 15	3047.9			—

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	153.8	161.9		—
Prop. Acc. (Gross) (z)	249.2	262.4		—
Equity (Gross) (z)	572.5	602.7	+8.2	—
Managed (Gross) (z)	421.7	443.9	+4.4	—
Prop. Acc. (Net) (z)	114.9	121.0		—
Equity (Net) (z)	136.7	143.9	+1.4	—

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101¾	100⅛	Treas. 12pc 1987	100⅛xd	.....	—	—
99⅝	97¹¹⁄₁₆	Treas 7¼pc 1985-88‡‡	99⅝	.....	7.77	8.66
102¼	99⅞	Exch 10½pc '88	100¼xd	−⅛	10.42	9.04
101½	98¼	Treas 9¾pc Cv '88	100⅜	−⅛	9.72	9.14
97⅝	93½	Transport 3pc '78-88	97⅜	+⅛	3.07	6.70
101⅝	98⅞	Treas. 9½pc '88	100⅛xd	−⅛	9.47	9.16
105⅜	101⅛	Treas 11½pc 1989	102⅞	−⅛	10.19	9.11
102⅝	97¾	Treas 9½pc Cnv 1989	100¼xd	−¼	9.47	9.23
94⅞	89¾	Treas 3pc 1989	94⅝xd	+⅛	3.17	6.80
104⅝	99⅞	Treas 10½pc 1989	101⅞	−¼	10.31	9.21
103⅛	98¾	Exch.10pc 1989	101⅛	−⅛	9.88	9.21
105¼	100⅞	Exch 11pc 1989	102⅞	−⅛	10.68	9.21
95⅞	89⅝	Treas 5pc 1986-89	94⅝xd	+⅛	5.29	8.04
108⅛	99⅞	Exch 10¼pcCv '89	103¼xd	−⅛	9.87	8.17
111⅛	104⅞	Treas 13pc 1990‡‡	107⅛	−⅛	12.10	9.12
106½	100⅞	Exch 11pc 1990‡‡	103⅞	−⅛	10.62	9.15
110⅛	103⅞	Exch. 12½pc 1990	106⅞xd	−⅛	11.68	9.15
91⅞	84½	Treas. 3pc 1990	90⅞xd	+⅛	3.31	7.08
100⅛	93⅞	Treas 8¼pc 1987-90‡‡	98¼	−⅛	8.40	9.03
105	97½	Treas. 10pcCv 1990	101¾xd	−⅛	9.82	9.25

BRITISH FUNDS—Contd

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		Undated				
45⅝	39⅞	Consols 4pc	43⅛	−⅛	9.18	—
41⅛	34⅞	War Loan 3½pc‡‡	40¼xd	−⅛	8.70	—
51⅞	46½	Conv. 3½pc '61 Aft.	50¼xd	−⅛	6.85	—
34⅛	29⅞	Treas. 3pc '66 Aft.	32⅝xd	−⅛	9.18	—
28¾	24⅞	Consols 2½pc	27⅛xd	−⅛	9.30	—
28¾	24⅞	Treas. 2½pc	27⅛xd	−⅛	9.28	—

1987 High	1987 Low	Stock	(b)	Price £	+ or −	(1)	(2)
		Index-Linked					
132⅛	125½	Treas. 2pc '88	(297.1)	132⅛xd	.....	—	—
117¼	108⅞	Do. 2pc '90	(353.9)	115⅞	−⅛	2.71	2.69
99⅛	93½	Do. 2pc '92‡‡	(385.8)	96⅞	+⅛	3.26	3.20
128⅛	119⅛	Do. 2pc '96	(267.9)	122⅛	−⅛	4.21	4.27
111¼	96¼	Do 2½pc '01	(308.8)	101⅛	−1	4.41	4.49
110	94¼	Do. 2½pc '03	(310.7)	98½xd	−⅛	4.41	4.50
113⅛	94⅞	Do. 2pc '06	(274.1)	98⅞	−1⅛	4.39	4.47
108	89⅛	Do. 2½pc '09	(310.7)	93⅛xd	−1⅛	4.33	4.41
113⅞	93⅛	Do. 2½pc '11	(294.1)	96⅞	−1⅛	4.29	4.36
95⅛	76⅞	Do. 2½pc '13	(351.9)	80⅛	−1⅛	4.22	4.30
109⅛	83¼	Do. 2½pc '16	(322.0)	87¼	−1⅛	4.15	4.22
101⅛	81¼	Do. 2½pc '20	(327.3)	85⅞xd	−1¼	4.03	4.11
86⅛	68⅛	Do. 2½pc '24 ‡‡	(385.3)	72⅝	−1⅛	3.93	4.00

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for February 1987: 100.4 and for September 1987: 102.4 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	1987 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass	43	−2	3.50	17.42
52	40	Do. 6pc 28 Stb. Ass.	40xd	−2	3	16.37
50	45	Do 4pc Mixed Ass.	45xd	.....	2	14.44
66	58	Hung. '24 Ass	62½	.....	2.75	14.40
146½	122¾	Hydro Quebec 15pc 2011	136½	−1⅛	15.00	10.72
136¼	115½	Iceland 14½pc Ln 2016	126⅞xd	−⅞	14.50	11.30
103½	94	Ireland 9¾pc '91-96	97¼xd	.....	9.75	11.29

AMERICANS

1987 High	1987 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
42	24⅞	Abbott Laboratories$1	28⅛	+⅛	$1.00	—	2.2
40⅞	20⅞	Alcoa $1	23½	+1⅞	$1.20	—	3.1
18⅞	537p	¶Allegheny & W $0.01	537p	.....	30c	—	3.4
19⅞	7⅞	Amax $1	8⅝	+⅛	—	—	—
30⅝	13½	Amdahl 5c	16¼	+2⅛	20c	—	0.8
35⅞	18⅞	Amer. Cyanamid $5	22	+⅞	$1.05	—	2.9
25⅛	12⅞	Amer. Express $0.60	13¼xd	+⅛	76c	—	3.4
12⅞	645p	Amer. Medical Int. $1	649p	+4	¢72c	—	6.8
22½	14¼	American T. & T. $1	17⅛	+⅛	$1.20	—	4.3
65½	43½	Ameritech $1	51⅞	+1	b$4.72	—	5.6

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39	21¾	Rep NY Corpn $5	22¾	+⅞	$1.16	—	3.2
18¾	8¾	Rockwell Intl. $1	10½	+¼	64c	—	3.8
30⅛	16¼	Sara Lee $1	22⅛	+1¼	$1.00	—	2.7
11⅞	6⅞	Saul (B. F.) $1	9⅛	−⅛	20c	—	1.3
27¾	24	Southwestern Bell $1	22½	+⅞	$2.32	—	6.4
22¾	11½	Staley Continental	11½	−¼	80c	—	4.2
44⅞	21¾	Sun Co. Inc. $1	29⅛	+1¼	$3.00	—	6.2
42¾	24	TRW Inc. $0.625	26¾	+1½	$1.60	—	3.7
37⅞	22¾	Tenneco $5	25⅞	+2½	$3.04	—	7.4
220	149½	Do. 10pc Ln.Stk. 91-5	150	....	10%	—	14.7
29⅜	16⅜	Texaco $6.25	17¼	+⅛	$3.00	—	10.7
74⅞	43⅞	Time Inc. $1	47	+3¼	$1.00	—	1.3
20⅞	11	Tracor $0.33	17¼	....	40c	—	1.4
30¾	15⅛	Transamerica $1	18¾	+1⅞	$1.84	—	6.2
14⅝	1⅛	Transworld Corp $5	715p	+92	20c	—	1.7
27⅞	12¾	TRINOVA Corp.	14⅜	+1⅞	56c	—	2.4
24⅞	12⅞	USX $1	14⅞	+⅞	$1.20	—	4.9
19⅝	10⅞	Union Carbide $1	11⅛	+⅛	$1.50	—	8.2
37⅞	19⅞	Utd. Technologies	20⅛	+⅛	$1.40	—	4.2
38⅝	26¼	US West	29¾	+1¼	$3.28	—	6.8
30⅛	17⅞	Waste Management $1	21	+1¼	—	—	—
31⅞	13⅞	Whirlpool $1.0	13¾	+½	—	—	—
37⅞	18½	Woolworth $3½	19⅛	+⅞	$1.32	—	4.2

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	249p	ABM Gold Corp	254p	+5	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS—Cont

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES—Cont.

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING—Continued

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS—Continued

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS—Continued

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*£11½	733	Prudential	858	+35	†29.0	—	4.6	—
598	395	Refuge 5p	415	+2	15.75	—	5.2	—
595	345	Royal	421	+28	†t15.5	—	5.0	—
110	85	Saltire Ins. Invs.	87	.....	—	—	—	—
*345	188	Sedgwick Group 10p	209	+3	12.0	1.7	7.9	8.9
399	178	Steel Burrill J. 10p	188	.....	†9.0	2.0	6.8	10.0
668	403	Stewart Wr. 20p	618		‡13.0	2.0	2.9	21.9
612	377	Sturge Hldgs 20p	485	+5	†16.0	2.3	2.0	26.5
£12¾	645	Sun Alliance	858xd	+38	†23.5	—	3.8	—
£13	905	Sun Life 5p	958	+18	†28.5	—	4.2	—
£69¼	£39	♥Taisho M EDR	£42	+1¼	q0.10%	—	1.0	—
£22¾	£14½	Torchmark $1.00	£16½	+1¼	Q$1.00	—	3.7	—
410	235	Trade Indemnity	360	.....	¶4.3	—	1.6	—
£34	£20⅞	Travelers $1.25	£20⅞	−⅛	$2.28	—	6.7	—
£30⅞	£18⅞	USF & G Corp $2.50	£18¾	+¼	Q$2.48	—	8.3	—
£33¾	£16½	USLIFE Corp. $1.0	£18⅝	+1	Q$1.28	3.2	4.3	4.0
738	555	‡Utd Friendly B 10p	645	+15	21.0	—	4.5	—
464	267	Willis Faber 12½p	279	+6	†10.75	2.4	5.3	10.6
128	41	Windsor Secs. 10p	78	−2	10.7	1.5	1.4	—

LEISURE

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
35½	11½	♦A & M Group 10p	16	.....	—	—	—	—
242	95	Airtours 10p	188	.....	td5.4	1.5	7.6	11.8
*549	302	Anglia TV	375	+7	‡g11.25	3.3	4.1	10.4
308	78	Arley	208	.....	—	—	—	—
194	108	♦Aspinall Hldgs. 10p	138	+1	‡6.0	1.2	6.0	18.9
141	63	♦Avesco 1p	72	.....	0.5	6.7	1.0	20.3
72	40	♦BCE Hldgs 5p	57	.....	L0.0	♦	2.4	♦
300	132	Barr & W.A.T. 'A'	235	.....	†8.0	1.4	4.7	19.1

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*62	6	Eglinton Expl.I.R.5p	21	+2	—	—	—	—
41	11	Do. Warrants	12	.....	—	—	—	—
186	90	Far East Res. 10p	95	+5	—	—	—	—
110	30	Gardner (L.) 5p	76	.....	R1.25	2.3	2.3	26.3
53	29	Noorbilt Group 5p	36	+5	—	—	—	38.3
133	65	Leading Leisure 5p	80	+7	0.9	3.1	1.5	23.1
95	68	Lynx Tech. 5p	82	.....	b—	—	—	9.4
180	115	Medirace 10p	123	.....	—	—	—	—
98	44	♥Moca Gold IR 2p	61	+6	—	—	—	—
82	17	Publishing Hldgs. 5p	46xr	−1	—	—	—	27.7
128	95	Seacon Hldgs.	95	.....	—	—	—	14.4
87	45	Theme Holdings	53	+3	1.0	1.9	2.6	28.4
210	140	UPL Group 10p	147	+2	L2.41	2.8	2.2	—
140	103	Wolt Group	103	.....	R4.6	2.5	6.2	(7.3)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ## Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	83	.....
Craig & Rose £1	713	+25
Finlay Pkg. 5p	89	.....
Holt (Jos) 25p	£11½	.....
IoM Stm. £1	240	−13
IRISH		
Fund 11¼% 1988	£100¾	.....
Nat. 9¾% 84/89	£98½	.....
Fin. 13% 97/02	£109¾	.....
Arnotts	280	−15
CPI Hldgs.	70	−5
Carroll Inds.	140	−5
Dublin Gas	408	.....
Hall (R. & H.)	140	.....
Heiton Hldgs.	44	−2
Irish Ropes	180	.....
Norish	325	.....
Unidare	338	+38

TRADITIONAL OPTIONS

3-month call rates

Stock	p	Stock	p
Industrials		NEI	19
Allied-Lyons	40	Nat West Bk	65
Amstrad	19	P & O Dfd.	65
BAT	62	Plessey	20
BOC Grp.	50	Polly Peck	94
BSR	17	Racal Elect	32
BTR	36	RHM	35
Babcock	32	Rank Org Ord	70
Barclays	52	Reed Intnl	50
Beecham	52	STC	30
Blue Circle	50	Sears	16
Boots	30	TI	37
Bowaters	50	TSB	12
Brit Aerospace	50	Tesco	19
Brit. Telecom	28	Thorn EMI	65
Burton Ord	32	Trust Houses	25
Cadburys	25	T&N	26
Charter Cons.	45	Unilever	62
Comm Union	34	Vickers	20
Courtaulds	45	Wellcome	42
FNFC	32	**Property**	
Gen Accident	95	Brit Land	30
GEC	22	Land Securities	50
Glaxo	200	MEPC	40
Grand Met	50	Peachey	40
GUS 'A'	125	**Oils**	
Guardian	95	Brit. Petroleum	32
GKN	38	Britoil	30
Hanson Tst.	17	Burmah Oil	52
Hawker Sidd	58	Charterhall	10
ICI	125	Premier	12
Jaguar	52	Shell	125
Ladbroke	45	Tricentrol	11
Legal & Gen	32	Ultramar	26
Lex Service	45	**Mines**	
Lloyds Bank	35	Cons Gold	125
Lucas Inds.	75	Lonrho	28
Marks & Spencer	22	Rio T Zinc	100
Midland Bk	45		
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page

FINANCIAL TIMES

Saturday October 31 1987

World equity markets rise again

BY JANET BUSH AND PHILIP STEPHENS IN LONDON AND RODERICK ORAM IN NEW YORK

WORLD EQUITY markets rose for the second day running yesterday, ending another highly volatile week on a calmer and more positive note in spite of continuing pressure on the dollar.

A measure of relief was felt internationally that the Bank of England had persuaded Mr Nigel Lawson, the Chancellor, not to go ahead with the British Petroleum issue without a safety provision.

The Bank's idea to offer a commitment to buy BP shares from any hard-pressed underwriter or private investor at the much reduced market price immediately instilled confidence, not only in London but also abroad.

A successful start to dealing in BP shares was the centrepiece of a broad-based recovery on the London stock market which had already been bolstered by a rally in Tokyo. The Nikkei index rose more than 700 points, its third largest daily rise.

The FT-SE 100 index closed 67.8 higher at 1,749.8. Turnover was concentrated in BP shares, with about 100m changing hands in the first half-hour after dealing in the partly-paid shares began yesterday afternoon. The partly-paid price closed at 85p, well above the 70p at which the Bank of England has offered to buy back the shares.

On Wall Street, the Dow Jones Industrial Average closed 55.2 points higher at 1,993.53.

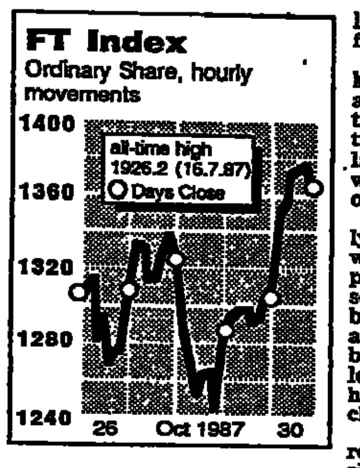
On foreign exchange markets, the dollar remained under pressure in spite of sporadic central bank intervention. Mr Lawson suggested that senior officials of the Group of Seven leading industrial nations were seeking to lay the groundwork for a possible meeting of finance ministers and central bankers of the group.

He insisted that sizeable cuts in the US budget deficit were a pre-condition of any such talks, but added: "There is a lot of work going on in order to get a sensible and constructive package."

The White House and the US Congress face a three-week deadline to agree a reduction in the deficit before the automatic provisions of the Gramm-Rudman law come into effect.

Such an agreement could be followed by a meeting of senior Group of Seven officials in late November with ministerial talks taking place soon afterwards.

Mr Gerhard Stoltenberg, West Germany's Finance Minister, said yesterday that the Bundesbank had helped stabilise the dollar through heavy intervention and by its interest rate policy. Mr Karl Otto Poehl, president of the West German central bank, however, made it clear that his country's commitment to February's Louvre accord did not mean that it had abandoned control on its money supply targets.



On Wall Street, there was some disappointment that the Dow had not managed to close above the key 2,000 level. A strong opening rally gave way to caution later as institutional investors turned more cautious ahead of the weekend.

Investors have faced huge falls on two Mondays in succession and did not appear to be entirely convinced that a third Black Monday could be avoided.

The dollar, which faced heavy losses earlier in the week, closed in London at DM1.7280, unchanged from Thursday. Sterling rose fractionally to $1.7220 from $1.7205.

In New York currency markets, it appeared to be a widely accepted assumption among traders that the US Administration had decided to let the dollar drift lower, hoping the slide would not unnerve the markets or drive off foreign investors.

They said it was much too early to judge whether the gamble would pay off because they expected the dollar to fall further soon. Against this background, bond prices eased by about ¾ of a point and UK government bond prices closed ½ a point lower after the Bank of England had supplied £800m in gilt tranchettes.

Meanwhile, strains in the European Monetary System persisted. A formal statement from the Bank of France that it would defend the franc's parity in the exchange rate mechanism had only a limited impact.

Some senior European monetary officials believe that there is a strong economic case for a revaluation of the D-Mark within the system in the near future. They are concerned that any such move, however, could be severely complicated by political issues.

Changes in EMS parities have direct implications for the European Community's farm price subsidies and for its budget, both of which are at present the subject of intense wrangling between governments.

Berisford withdraws rejection of ABF bid

BY CLAY HARRIS

DIRECTORS OF S&W Berisford, the diversified sugar producer, yesterday backed off from their previous strong rejection of the £767m cash takeover bid from Associated British Foods, the milling and baking group.

As a result of the stock market crash, they will not give shareholders any official guidance on whether to accept or reject ABF's 400p cash offer, which compares with yesterday's closing price of 371p, up 1p on the day. The board said it was unable to make a recommendation under the circumstances.

The directors said they had made no decision in respect of their own holdings, which total nearly 23 per cent of shares. They did not rule out changing their advice if Berisford's share price recovered before the bid closed.

Despite failing to make a firm recommendation, Berisford said it remained convinced that the underlying strength of group businesses provided excellent prospects under present management.

In addition to owning British Sugar, the beet refiner which dominates the UK sugar market, Berisford is involved in commodity dealing, property and industrial and financial services.

Its official defence document, published yesterday, dismissed as "unconvincing" ABF's arguments in favour of the takeover and took issue with a number of "wrong and misleading statements."

Even if ABF secures a majority of Berisford shares by next Thursday, the first closing date for the bid, the success of its offer is not assured.

No decision has been made on a possible reference to the Monopolies and Mergers Commission, which in February blocked rival full or partial takeover bids for Berisford by Tate & Lyle, the British cane sugar refiner, and Ferruzzi, the Italian agribusiness conglomerate.

ABF already owns 23.7 per cent of Berisford, bought for £133.2m in May from Ferruzzi.

The ABF-Berisford battle is one of only two contested takeover bids now underway in Britain. The other is the all-share demerger offer for Storehouse, the retail group, by Benlox, the small civil engineer and investment dealer.

In a third bid, Scottish & Newcastle Breweries this week secured its £186m takeover of Matthew Brown, the Blackburn-based brewer, although the acquisition has not yet been cleared by the Office of Fair Trading.

Details, Page 8

Continued from Page 1

BP spree

the flop. Some 270,234 people applied for a total of just 17.7m of the 2.2bn shares available. Remarkably, institutional investors - unnamed - also applied for 4m shares in the international offer.

All the rest of the stock was left with the underwriters, some of which were expressing relief yesterday that the shares had opened at a price higher than had been feared earlier in the week. The total notional underwriting losses on the issue at yesterday's closing price are just over £700m.

It became increasingly clear yesterday that the decision by Mr Nigel Lawson, the Chancellor, late on Thursday night to proceed with the BP share offering had been reached only after a bitter confrontation with the overseas underwriters, notably those in the US.

Speaking on BBC Radio 4's Today programme, Mr Lawson said the problems with the underwriting had arisen in financial centres overseas, not in the City.

"I think that is a credit to the City of London, and it will certainly be something that I shall have to reconsider when I consider whether indeed in future privatisations we do want to have overseas underwriting."

Ford offers radical pay deal

BY CHARLES LEADBEATER, LABOUR STAFF

FORD MOTOR yesterday offered its 32,500 manual workers a radical three-year pay and conditions package incorporating wide-ranging changes to working practices, the introduction of quality improvement groups akin to quality circles and the eventual harmonisation of the terms and conditions of blue-collar workers.

While two-year agreements have become relatively common in recent years to allow significant changes to working practices, three-year deals are still a rarity.

The company said negotiations on its offer of a 4¼ per cent increase in grade rates from November 24, followed by inflation-linked increases on that date next year and in 1989, would be dependent on the unions' agreement to discuss a set of far-reaching changes to working practices.

Mr Mick Murphy, the Transport and General Workers' Union national automotive officer and leader of the union side, said the company's proposals were "revolutionary." The unions will consult their members to decide whether any of the changes are negotiable before replying to the company on November 11.

The company's written offer said improvements in productivity over the past 18 months as a result of the two- year agreement from 1985 allowed for cautious optimism. However, it warned the unions : "We cannot accept your contention that headcount reduction has gone far enough: we need to be more efficient to be competitive and that will inevitably mean further reductions in manpower."

The company outlined a set of measures to improve competitiveness, including breaking some of the traditional demarcation lines.

- Skilled workers, who traditionally carry out maintenance tasks, may have to work on the production line as well, possibly in work teams where they would be completely interchangeable with semi-skilled workers.
- A wide-ranging change to the role of supervisors, centred on the creation of "group leaders" to assist supervisors and co-ordinate teams of manual workers. The group leaders, who would be paid an additional 10 per cent on their grade rates, would be responsible for allocating work, operator training, and quality and production control. They would be recruited on the basis of competence rather than seniority and could be semi-skilled workers. This would require skilled workers for the first time to accept semi-skilled workers as supervisors.
- A joint commitment within national and local agreements to a sustained quality improvement programme, to include a statement of quality improvement aims at each factory, quality discussion groups at every level of the company between managers, union officials and workers as well as measures to provide greater production continuity, possibly by forming labour pools to cover for unforeseen absences.

The company said it was prepared to establish a joint working party, incorporating white-collar and blue-collar unions, to introduce harmonised terms and conditions for both groups after 1990.

The working party's first aim would be to establish a common pay structure for all employees. Ford indicated it expected manual and white-collar unions to end their traditional separate negotiations.

The written offer disclosed that the budgeted hours for building a Fiesta, Escort or Sierra were more than 65 per cent higher in Britain than in Ford's West German plants.

Capital victory after 70 years

By Ralph Atkins

A TEAM OF London accountants yesterday won a small victory for capitalism against the revolutionaries who overthrew Imperial Russia almost exactly 70 years ago.

By sending out nearly 3,300 cheques to Russian bond holders around the world, Price Waterhouse, the accountancy firm acting on behalf of the UK Government, has unfrozen assets held in a state of abeyance since the Bolshevik revolution.

However, yesterday was only the beginning. Next week the firm turns its attention to the 2,308 claims for property lost during the turmoil of the overthrow of Tsarist Russia.

The task is likely to prove an accountant's paradise. A price has to be put on the dramas and dilemmas of a past generation. How much for a lost ear? What was the cost of a cotton mill or tin of condensed milk in 1917?

The cheques dispatched already are interim payments for British holders of bonds issued prior to November, 1917 and guaranteed by the Imperial Russian Government. Drawn from a Bank of England account, the sums are being paid from a fund set aside by the Soviet Union in 1986, worth about £50m.

The payments represent 10 per cent of the face value on bonds registered with Price Waterhouse before March 31. More is promised - perhaps up to 20 per cent of face value - when property claims have been totalled.

The smallest payment, worth 62p, has been sent to Cawongla, via Kyogle in New South Wales, Australia, in return for a single bond. The largest, in respect of several hundred boxes of bonds from an unnamed company, is worth about £900,000. Others are being sent to three convents, numerous local councils and charities and at least one Reverend Mother Superior.

The property claims are based on 12,000 records compiled by the Foreign Office until 1951. Currently stored in the basement of Price Waterhouse offices in Victoria, London, they read like a tale of misery and desperation.

"All human life is in these files. There are people who lost everything - their families, their assets, everything," said Mr Leslie Cousins, the partner in charge of the operation.

One fading letter carefully catalogues belongings lost in fleeing from Russia. It includes two bottles of 1840 Cognac (costing 600 roubles) and seven and a half bottles of methylated spirit (worth 375 roubles).

The main difficulty for the accountants is choosing what rate of exchange to use. Once Imperial Russia was overthrown, the rate of roubles to the pound rapidly plunged from the hundreds into the millions - making recent movements on the world stock exhanges look like a game of Monopoly.

Tebbit to stay Tory party chief for a week

By John Hunt

MR NORMAN TEBBIT is to remain as Conservative Party Chairman until the end of next week while the search continues for a successor.

Mr Tebbit had been keen to quit the job to take up various business directorships which take effect this coming week.

However, after the recent turmoil over a successor, Mrs Margaret Thatcher persuaded him yesterday morning to stay on for a few more days to enable a smooth transition.

Mr Tebbit had felt that Mr Peter Morrison, Deputy Chairman of the party and Minister of State for Energy, could have taken over temporarily.

Mr Tebbit is shortly to take up a non-executive directorship on the board of Sears Holdings, Britain's largest retail group. He will also be on the boards of Blue Arrow, the employment services group, and BET, the international services company.

Mrs Thatcher had wanted Lord Young, Trade and Industry Secretary, to be the new chairman in addition to retaining his departmental responsibilities. But there was strong opposition from Lord Whitelaw, Leader of the Lords, and other members of the Cabinet.

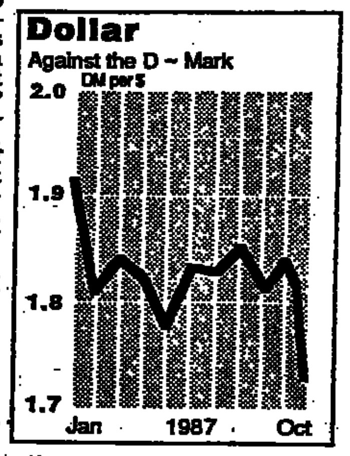
As a result Lord Young told the Prime Minister this week that he did not want the job.

There has been intense speculation at Westminster about who will become party chairman. Among those mentioned have been Mr George Younger, Defence Secretary, Mr John Patten, Minister of State at the Home Office, Mr Peter Brooke, Paymaster General at the Treasury, and Mr John Cope, Minister of State for Employment.

THE LEX COLUMN

Selling BP to an Old Lady

It takes an adroit Chancellor to present as a triumph an exercise which has cost investors nearly a third of their money in the course of an afternoon. But then the handling of the BP stake has been marked by apparent adroitness throughout. Shares bought in the depths of 1974 have been held throughout a 13-year bull market and unloaded right at the top. And, should the market fall back far enough, the Government has taken the option to buy the stake back at a profit of 50p per share.



The mood in yesterday's equity market allowed the new partly-paid stock to find its level remarkably quickly at a premium of about 28p to the old. The 70p floor provided by the Bank of England has evidently concentrated minds on the stock's speculative appeal. It appears that as much as a third of the US allocation may have been placed with US buyers yesterday and the Japanese underwriters seem scarcely to have sold at all. The British public, meanwhile, has plainly been stirred by all the publicity and it looks as if the 270,000 unfortunates who subscribed for the offer may be joined by at least as many private investors again through the after-market.

It is not clear, though, how safe a bet the partly-paid will be when the 70p guarantee has been withdrawn. Previous guesses at a premium of 20p, based on the time value of the later instalments, are being replaced with higher figures based on the attractions of the stock as a highly-geared option. But, in fact, paying the remaining 210p is not an option but a liability which the Government is prepared to pursue through the courts. If the fully-paid fell far enough the partly-paid could end up with a negative value.

The average punter will probably calculate more simply that the final dividend of 8p net represents a pretty good return on a price of 85p and that in 10 months' time, when the second instalment falls due, there is a good chance the market will have recovered. And so there is; but it is also possible to sketch a scenario in which the US goes into a real recession next year, demand for oil collapses and BP shares turn out to be downwardly geared in a falling market.

Were that to happen earlier the issue would end up back with the Government. The cost would presumably show up in the PSBR but only in the current year when the PSBR is under-shooting anyway. Only if the price remained catastrophic would there be the piquant possibility of the Bank of England having to pay subsequent instalments to the Treasury.

As the furore over the issue dies down it leaves a slightly distasteful impression of anti-Americanism. There is no question that the US underwriters deserved their losses. Combining the US and UK issuing methods, with the effect that stock is held for weeks without a guaranteed end-price, is so risky as to be a bull market excess in itself. But some of Mr Lawson's remarks, while merely knockabout in the political sense, smacked slightly of ingratitude. The London merchant banks, too, are enjoying the Americans' discomfiture but that is because it suits their commercial interests.

Finally, what of BP as a company? As things now stand the damage seems limited. The £1.5bn is in the bag and, if BP will not be the most popular name in the world's equity markets for the next year or two, the balance-sheet now leaves room for acquisitions to be financed through borrowing. Indeed, insofar as oil assets are available at stock market valuations the company's ambitions could be more easily achieved than before the market crash.

Markets

Until the past couple of weeks a rise of 67.8 points on the FT-SE 100 of a Friday would have seemed a pretty euphoric end to the week. After the recent falls - and the market was still lower over the week - the gains on Thursday and Friday were small. But at least they demonstrated a beginning of a return to confidence. The solution to the BP problem was one boost to morale and the expectation of a confident Autumn Statement from the Chancellor on Tuesday was another.

It would be wrong, however, to put too much weight on the thin ice of the market recovery just yet. Leaving aside the fundamentals a rally of any size could quickly bring out those sellers who failed to offload stock in the first plunge. And there is still a high risk that the fragile calm in the equity market could go badly wrong once more.

True, the economic outlook has not been badly damaged so far by the fall in the markets. If the international difficulties can be quickly and satisfactorily patched up the share market should be able to recover some way, with probably a consequent reversal in bond markets.

The message coming from the currency markets, though, is much more gloomy. The dollar, which had held up reasonably well at the start of the stockmarket slide, has fallen sharply this week. Yesterday the end of both the week and the month should have had dealers squaring their books, thus lifting the dollar as short positions closed. But the dollar was weak again.

What foreign exchange dealers are worrying about - as they have been for months - is the US trade and budget deficits. As each day passes without signs from Washington that the budget deficit is being sorted out, indeed without much evidence that the politicians take the problem as seriously as the markets do, the dollar will keep falling. And there has been nothing to support the currency because the central banks' attempts at intervention are so half-hearted as to have no effect and international interest rate differentials are too narrow to help.

With those props taken away only an agreement on the budget deficit will hold up the dollar. And the budget deal will need to make cuts of more than the $23m ordained by the Gramm Rudman legislation, with commitments to further reductions later, too, if it is to calm the markets. If such a deal is tied up in the next week all could be well once more. But if the dollar is left to fend for itself it will fall sharply, eventually forcing the US authorities to raise interest rates to support it. And, after all, that is where we came in two weeks ago.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	20	68	Dallas †	F	18	64	Madeira	F	20	68	Prague	S	8	46
Algiers	S	24	75	Dublin	F	12	54	Madrid	S	13	55	Reykjavik	C	3	37
Amsterdam	C	12	54	Dubrovnik	C	13	55	Majorca	S	21	70	Rhodes	F	16	61
Athens	C	12	54	Edinburgh	S	7	45	Malaga	S	19	66	Rio de Janeiro		-	-
Bahrain	S	29	84	Faro	C	20	68	Malta	F	25	77	Rome	F	20	68
Barcelona	F	19	66	Florence	F	18	66	Manchester	F	10	50	Salzburg	F	9	48
Belfast	C	10	50	Frankfurt	F	9	48	Melbourne	S	27	81	San Francisco †	F	12	54
Belgrade	S	10	50	Geneva	C	13	55	Mexico City		-	-	Santiago		-	-
Berlin	S	8	46	Gibraltar	S	19	66	Miami †	F	20	68	Seoul	C	19	66
Biarritz	S	21	70	Glasgow	S	7	45	Milan	C	12	54	Singapore		-	-
Birmingham	C	9	48	Guernsey	C	11	52	Montreal †	C	5	41	Stockholm	S	9	48
Blackpool	F	9	48	Helsinki	S	8	46	Moscow	C	5	41	Strasbourg	C	9	48
Bombay	S	33	91	Hong Kong	S	27	81	Munich	C	5	41	Sydney	S	22	72
Bordeaux	S	20	68	Innsbruck	C	10	50	Nairobi	F	27	81	Tangier	S	20	68
Boulogne	C	14	57	Inverness	S	5	41	Naples	F	20	68	Tel Aviv	C	21	70
Bristol	C	10	50	Isle of Man	F	10	50	Nassau		-	-	Tenerife	F	24	75
Brussels	C	14	57	Istanbul	F	9	48	Newcastle	F	9	48	Tokyo	C	21	70
Buenos Aires		-	-	Jersey	F	13	55	New Delhi	S	28	82	Toronto †	F	3	37
Budapest	S	9	48	Johannesburg	F	25	77	New York †	F	5	41	Tunis	F	25	77
Cairo	F	23	73	Las Palmas	F	22	72	Nice	S	19	66	Valencia	S	20	68
Cape Town	S	24	75	Leeds	C	8	46	Nicosia	F	21	70	Venice	C	9	48
Cardiff	C	9	48	Lisbon	R	16	61	Oporto	R	14	57	Vienna	F	5	41
Chicago †	F	3	37	Locarno	S	15	59	Oslo	C	5	41	Warsaw	S	6	43
Cologne	R	11	52	London	C	13	55	Paris	C	12	54	Washington †	F	7	45
Copenhagen	S	8	46	Los Angeles †	F	15	59	Peking	F	10	50	Wellington	C	11	52
Corfu	R	17	63	Luxembourg	F	10	50	Perth	C	21	70	Zurich	C	13	55

C—Cloudy. Dr—Drizzle F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet Sn—Snow. T—Thunder.
† Noon GMT temperatures

Sun Alliance estimates its storm bill at £64m

BY NICK BUNKER

THE HURRICANE that ravaged south-eastern England two weeks ago will cost Sun Alliance, Britain's biggest household insurer, an estimated £64m in claims from homeowners and motorists, the group said yesterday.

Sun Alliance also forecast between £15m and £25m in claims for property damage and business interruption suffered by commercial policyholders.

Stockbrokers' insurance analysts said the figures confirmed estimates that total insurance industry losses from the October 15-16 hurricane would be about £500m.

This means that among recent western European insurance catastrophes the hurricane is likely to rank second only to a hailstorm which hit Munich in July 1984 and cost about £610m.

Mr Ian McNeil, an insurance analyst with Warburg Securities, estimated Sun Alliance had 19 per cent of the UK's household structure insurance market, and about 10 per cent of contents insurance business.

On that basis, gross losses for the five big quoted non-life insurance groups will reach an estimated £250m. After allowing for money they recover from reinsurers, the net loss could be about £190m.

Sun Alliance said it initially expected to receive 80,000 household claims within the first 10 days of the disaster, which on past experience suggested a total figure of 250,000.

Mr Bill Sclare, group personal insurance manager, said the group actually received 60,000 claims in the first seven days. It now expected about 200,000 household claims altogether, costing a total of £60m.

Mr Sclare said there had been few reported losses of more than £25,000.

The group has confirmed vehicle damage claims of £1.5m, but has conservatively estimated that this will rise to £4m.

Royal Insurance, General Accident and Commercial Union said they were not planning to make public estimates of their losses until the week after next.

Analysts reacted to the figures by cutting £70m to £80m from their pre-hurricane estimates of Sun Alliance's 1987 pre-tax profits. Forecasts now range from £195m to £225m.

But Sun Alliance's shares closed up 35p at 855p, while Royal gained 27p to 420p, reflecting relief that losses will fall short of the worst early estimates.

WEEKEND FT

October 31/ November 1, 1987

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

Look behind you!

New, controversial methods of funding for the arts are at a critical stage. Michael Coveney examines their impact on Britain's once glorious regional theatre.

IN BIRMINGHAM the other day I enjoyed a full dress, strikingly well designed *School For Scandal* in the vasty arena of the concrete repertory theatre. On my way back to New Street station I paused by the old Rep and studied the plaque in memory of Sir Barry Jackson, son of a wealthy local merchant, who founded the Birmingham theatre in 1913.

Stirred by this, I sought and found the stage door in a grim back street, and asked for the manager. Kind soul, he led me onto the pocket handkerchief stage, now the preserve of amateur companies but formerly the most famous regional platform in the land. Here were launched the careers of Peter Brook, Paul Scofield, Eric Porter, Margaret Leighton and Albert Finney. Here was a bedrock of our post-war cultural reputation. Magic time.

An adventurous repertoire, bold productions, faithful audience, tomorrow's stars. How desperately today's regional theatre in Britain strives to rekindle the flame. The consensus of an intimate, idealistic regional theatre movement is undermined by the unwieldy concrete civic barns we have built for ourselves and by acute nervousness at a time when new methods of mixed funding for the arts have reached a controversial transitional stage.

This week, a West End-bound revival of *South Pacific* has opened in Plymouth. The Royal Shakespeare Company is on tour in Carlisle. There is Shakespeare in Stoke, Wycherley in York, Schiller in Glasgow and Ibsen in Manchester. There are new young artistic directors at the Leicester Haymarket, the Birmingham Rep, the Derby Playhouse and the Bristol Old Vic. The Arts Council has announced substantially increased grants for theatres in York, Leeds, Newcastle and Sheffield.

And yet all is far from well. Any week now the Arts Minister, Richard Luce, will announce an inadequate 2 per cent increase on last year's Arts Council overall kitty of £128m. About £27m of that will go to drama; barely £7.5m to drama outside London. We live still, in the arts more than in any other sphere of public life, as two nations: London and the rest.

The mood of public expenditure standstill and cutback has made a mockery of the Arts Council's devolutionary ambitions. Instead, the big national companies have been punished, and everyone else has been told to increase sponsorship, fix more local authority money, and generally "wise up" to what Ian Brown, the Arts Council's drama director, calls "different" complexities.

It is all very well for the RSC to raise £1m in sponsorship from an insurance company. But the Birmingham Rep, to take a most favoured example of an Arts Council-subsidised regional theatre, can barely raise £20,000 this year on a city sponsorship drive that yielded £50,000 two years ago.

"In the old days you beat your breast and hoped the Arts Council would listen. Now we know the Arts Council is powerless to help. And we know, too, that this Government is not interested in the arts."

The refrain, a familiar cry of the arts lobby, might be credited to Sir Peter Hall, director of the National Theatre. In recent years he has berated the Arts Council for discarding its tetchy beggar's weeds and bowl and becoming "a willing instrument of Government."

In fact the speaker is Braham Murray, joint artistic director of the Royal Exchange in Manchester, an outstanding regional theatre of the last 10 years and a prime example of the "centres of excellence" favoured in the Arts Council's controversial development manifesto of 1984, The Glory of the Garden.

That so-called "strategy for a decade," masterminded and committed to print by Mrs Thatcher's choice of Arts Council chairman, Sir William Rees-Mogg, cleverly embraced a radical devolutionary policy, robbing the metropolitan Peters (and Trevors) in order to encourage flyaway regional Pauls, to the tune of £5.5m. £2m of this went to Drama and £2.2m to the wilting Regional Arts Associations.

Yet the Cork Report, an Arts Council-sponsored enquiry chaired by Sir Kenneth Cork, last year concluded that the effect of the strategy, in real terms, had been to restore the Leicester Haymarket and the Sheffield Crucible (two favoured clients) to 1978/9 levels of funding, while leaving most other subsidised regional theatres slightly less well off.

New realities are at work. In a speech in July, Richard Luce set out his (and the Government's) stall on the arts: the level of grant will increase by 2 per cent annually for three years at least; in addition to that amount, incentive funding will be available to mobilise more private sector money. Most offensive to the arts lobby was the Minister's philosophical homily attacking the "welfare state mentality" and lauding the performer's need to attract customers as the chief test of his or her ability to succeed.

No mention here of anything approximating to the old Royal Court "right-to-fail" plea (made by the late, great George Devine in the mid-1950s), or even of the educative or moral value of art in the citizen's life that was a cornerstone of Sir Barry Jackson's credo. In this statement of Thatcherite radicalism there seemed embedded a twisted knife of revenge: on the 1960s, on the "art is good for you" school of thought, on the very impulse behind the century-old fight to establish a National Theatre in which Mr Luce could take fleeting bureaucratic interest and, who knows, pleasure. Bernard Shaw, thou shouldst have been living at this hour to fight fast and Luce!

The rep movement was a high-minded Edwardian reaction to the commercial touring circuit. It caused a theatrical polarisation that has survived for 80 years. This Arts Council is anxious to obliterate it, but not necessarily for the right reasons.

Jackson's Birmingham Rep, like the tea heiress Miss Annie Horniman's Gaiety in Manchester, was a complementary operation to Vedrenne and Granville-Barker's 1904 repertory initiative at the Court in Sloane Square, the producing cradle of Shaw, Galsworthy and John Masefield plays.

From these roots grew everything worth having in the contemporary British theatre: engaged playwrights; the Old Vic and Stratford Memorial theatres leading to the National and RSC; an intelligent post-Victorian acting tradition; new standards in interpretation and design. By 1935 there were 14 reps in Britain; by 1962, about 60. These are today's subsidised houses. The provincial touring barns have meanwhile declined.

In broad terms, it is now the rep standards that sustain our crumbling provincial theatre network. In the past 10 years, local authorities and sponsorship drives have restored to the nation such magnificent dramatic temples as the Theatre Royals in Bath, Plymouth and Nottingham, and the Bradford Alhambra. But these houses are blotting paper, not fountain pens.

Luke Rittner, the Arts Council's secretary general with a background in arts sponsorship, points to this new network with evangelical pride. But we must ask: do not these theatres receive subsidised product from middle range companies that are an almost anomalous hangover from a previous nurturing ideology?

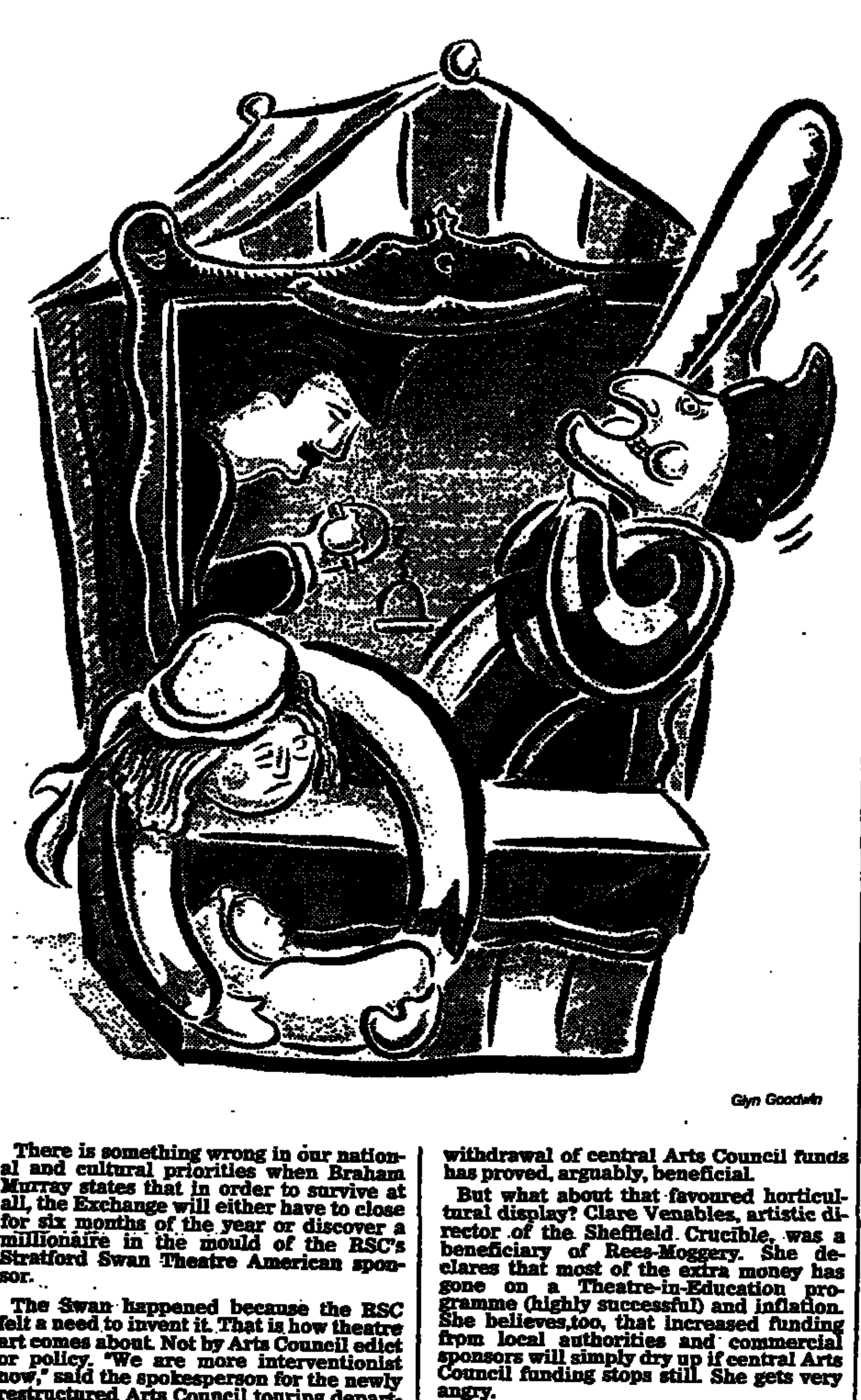
The Arts Council is now pragmatic and entrepreneurial where once it was, or declared itself to be, creative and responsive. This fundamental change of role, as yet barely perceived, could cause untold damage to our theatrical well-being. Whereas the Cork Report imaginatively proposed six national theatres to be established outside London, the idea has been modified and crushed into a "consortium" philosophy of shared productions in a given area. Ian Brown's proud prototype is in the south west, centred on the Theatre Royal, Plymouth.

The Royal, with an annual Arts Council grant of £243,000, is a sort of service station to the south west of England, with no clinching identity of its own. It operates merely as a bustling amenity with commercial potential. That, you are supposed to feel, will do. It is the apple of Ian Brown's eye.

There is also a new buzzword: parity. This means: local authorities matching central government funding for the arts.

Braham Murray in Manchester represents the repertory ideal, now overtaken, of Jackson and Horniman. His colleague, the late Michael Elliott, turned down offers of the deputy directorship at the National, control of the Royal Court, and the headship of BBC TV Drama, in order to inaugurate the Exchange. Regional theatre mattered.

Murray feels betrayed. Since settling in the Royal Exchange arena 11 years ago, the company has played to 83 per cent capacity, raised £500,000 pounds in local and private funds for a second auditorium, and co-operated with Mobil Oil on a conspicuously successful new playwrights competition. (Everything, you might assume, Messrs Rittner and Brown could desire.) The work has been consistently interesting, often exceptional, bolstered by the artistic contribution to Manchester life of such crucial thespian figures as Ian McDiarmid (a top line renegade from the RSC), Vanessa Redgrave, Janet McTeer (tomorrow's Vanessa Redgrave), Tom Courtenay, Edward Fox, Sir Michael Hordern, Julie Walters, and the most promising new directorial talent in British theatre and opera, Nicholas Hytner.



Glyn Goodwin

There is something wrong in our national and cultural priorities when Braham Murray states that in order to survive at all, the Exchange will either have to close for six months of the year or discover a millionaire in the mould of the RSC's Stratford Swan Theatre American sponsor.

The Swan happened because the RSC felt a need to invent it. That is how theatre art comes about. Not by Arts Council edict or policy. "We are more interventionist now," said the spokesperson for the newly restructured Arts Council touring department.

To be fair, the Arts Council touring department is now actively involved in upgrading fringe groups like Cheek by Jowl (camped-up, small-scale classics) and Temba (new black writing) to middle-scale status. This intensification could yet have significant impact.

In the various instances of the Chester Gateway, the Duke's Lancaster, the Worcester Swan and, most notably, the Derby Playhouse under the newly energetic leadership of Annie Casteldine, the withdrawal of central Arts Council funds has proved, arguably, beneficial.

But what about that favoured horticultural display? Clare Venables, artistic director of the Sheffield Crucible, was a beneficiary of Rees-Moggery. She declares that most of the extra money has gone on a Theatre-in-Education programme (highly successful) and inflation. She believes, too, that increased funding from local authorities and commercial sponsors will simply dry up if central Arts Council funding stops still. She gets very angry.

At the Birmingham Rep great things are expected of John Adams, an impresario in early middle-age who has, unfashionably, made a classic progression from invented touring company (Paines Plough) to modest regional outpost (Bolton Octagon) to second city breeze-blockbuster.

Birmingham Rep needs £200,000 over and above its combined Arts Council and local authority funding of £800,000 to carry out essential improvements both on and off stage. But Adams, nobody's fool, does not regard a standstill Arts Council grant as a disaster. He could yet fight one of the most fascinating rearguard actions for regional theatre.

In the early 1960s, the Nottingham Playhouse was designated the vanguard regional theatre, attracting the participation of John Neville, Peter Ustinov, Frank Dunlop and, subsequently, Stuart Burge and Jonathan Miller. In the mid 1970s, its resurgence under Richard Eyre was a necessary response to a fossilised Royal Court policy. It was in Nottingham, with plays by Trevor Griffiths, David Hare, Howard Brenton and Ken Campbell going up the motorway for want of London interest, that the vital continuity of our national theatre - and, as it happens, National Theatre - was kept going. Playhouse is in the artistic doldrums, but it serves a community, is trying to balance its books, and will rise again.). Its ebullient activity in the mid 1970s was matched only by the Liverpool Everyman under Alan Dossor, whose unforgettable acting squad included Bernard Hill, Trevor Eve, Jonathan Pryce, Antony Sher, Nick Stringer and Barbara Dickson, with writing by John McGrath, Willy Russell and Alan Bleasdale.

Most of the names in the paragraph above have been involved in leading British films, TV series and stage productions of the past decade. Nobody in London, after drama school, supported them. No-one in the Arts Council gave them bursaries. They learned their trades and made their marks in the regional theatre.

'Twas ever thus. No wonder that Richard Eyre, artistic director designate of the National Theatre, acknowledged his artistic roots — in Edinburgh, Nottingham and Cambridge — by avowing a policy of courtesy towards the regional theatre in an encouraging interview he gave recently. At least the National under Richard Eyre and David Aukin *intends* to heed the regions. Braham Murray in Manchester welcomes this new regime, sensing a possibility of London exposure where none recently has been forthcoming except in commercial, frothy-farcical terms

David Aukin was, until recently, at the Leicester Haymarket, completing a West End and transatlantic deal on *Me and My Girl* while the theatre itself ran into £350,000 worth of debt. The success of *Me and My Girl* on Broadway has saved the Haymarket which, under the new artistic directorship of Peter Lichtenfels, is preparing to gamble yet more of its subsidised fortunes in a peculiar liaison with the London office of Broadway impresario David Merrick.

Cy Coleman's *Nothing But the Truth* will contain a £250,000 Merrick investment and a chance of make or break for Leicester. The idiocy of this gamble - its barminess unchallenged by Arts Council approval of flirtation with commercial imperatives - could seriously damage other, perhaps equally curious, Leicester commitments to European and American avant garde manifestations.

Meanwhile, Leicester has played to under 50 per cent capacity for extremely worthwhile revivals of a rare Tennessee Williams and a screwball Broadway farce. This will not go down at all well with any Luce-talking bottoms-on-seats wallahs in the Arts Council offices at 105 Piccadilly, in London. But can we not afford - should we not shower in money - such a theatre with such a programme?

Adventure in any direction, even the wrong one, will always ask a price. Unless the Arts Council, on the taxpayer's behalf, is prepared to countenance and then perhaps meet that price, we shall be left with a theatre bereft of civic pride, shorn of international significance and deprived of any social value whatsoever. Devolutionary apparatchiks must be mindful, as they go from meeting to parting, of what it is they are actually proposing to devolve.

For sweetest things turn sourest by their deeds;
Lilies that fester smell far worse than weeds.

The Long View

Stardom could prove unfortunate

The BP issue has brought old sub-underwriting practices into the limelight. Barry Riley suggests that they may prove incompatible with new City rulebooks

WHO WOULD ever have thought that new issue underwriters would rate the front page splash? They have starred prominently in this week's on-off-on BP saga. But their brief rise from obscurity could prove unfortunate.

New issue 'underwriting - more strictly, sub-underwriting - has long been one of the City of London's cosier and more profitable corners. So well-established has the cartel been that until now it has even managed to survive Big Bang more or less intact.

It has taken BP to highlight its inadequacies. Even then, London's underwriting system might have coped more smoothly but for the clash of cultures with the overseas underwriters, who have had their fingers badly burned.

The front pages may have been full of stories of underwriters making unattributable submissions to Mr Nigel Lawson with, curiously, nobody willing to stand up in public and be counted as a backslider. In sharp contrast, the British investment institutions who took on the bulk of the sub-underwriting commitment have made it plain that they have had no wish to wriggle out of their obligations.

This is stirring stuff. The insurance companies and pension funds up and down the land have been standing by their agreement. The pre-Big Bang spirit of 'My Word is My Bond' lives on. Those shifty merchant banks may have been hiring teams of lawyers to help them exploit loopholes and escape clauses in the BP underwriting agreement, but the British long-term institutions are rock-solid in their dependability in time of crisis.

Yet, without wishing to seem cynical, I feel I should gently point out that over the years the institutions have done tremendously well out of the traditional underwriting system. Their wish to preserve it has a strong economic motivation.

The normal mechanics of the process are that merchant banks underwrite an issue early in the morning of 'impact day,' but with the help of brokers immediately set about laying off the risk to several hundred sub-underwriters, who are the various investment institutions.

This applies to primary and secondary (like BP) offers for sale but, just as importantly, to rights issues of new shares by listed companies, a means by which particularly large sums have been raised to finance cash takeovers during the past few months.

If the sub-underwriting of an issue is not tied up by lunchtime it is likely to be in trouble. There is no time available for inspection of elaborate documentation or the undertaking of detailed analysis. It is very as-and-when basis out of capital account, rather than through much a matter of take it or leave it.

Generally the institutions take it, because they know from past experience that the chance of an issue failing is very small. The standard 1 per cent sub-underwriting fee has been shown, by academic studies, to be roughly twice as large over the years as it should have been, to compensate for the actual risks. In practice the failure rate of issues has proved to be remarkably low.

Sub-underwriting has therefore become a kind of gravy to be distributed by securities firms to their favoured clients. An institution which turns an underwriting down may not get offered the next one.

In the pre-Big Bang days of fixed dealing commissions, sub-underwriting was a means by which big clients could have some of their outlay returned. Corporate brokers, led by Cazenove, thrived on this sort of arrangement. Merchant banks' investment departments have used their ability to pass on lucrative underwriting commissions on a preferential basis as a way of strengthening their position in the pension fund management business.

Why have companies, which pay the underwriting commissions, put up with such practices? Corporate treasurers are not normally loath to squeeze the City if they see an opportunity. Perhaps they have failed to understand the intricacies of the system properly. And perhaps also they have been persuaded that it is a painless way of paying for corporate broking services.

How much better to pay on an regular fees which would affect profit and, worse, which would come out of the finance department's budget.

Even so, a few companies - including Prudential Corporation, one of the very investment institutions which have profited from sub-underwriting - have chosen to launch rights issues on a deeply discounted basis, which avoids the need for underwriting.

And the Government, spurred by criticism of its outlays for the underwriting of previous privatisation offers, has required underwriters to bid more competitively.

The merchant banks only retained tiny underwriting fees for the BP issue. The British sub-underwriters - more than 400 of them - had their commission cut down from the normal 1¼ to 1 per cent. These changes were clear evidence of the underwriting system crumbling at the edges. Even before the BP crisis, the traditional arrangements had lost their charm for the merchant banks and for the stockbroking firms which they now own.

With the abolition of the Stock Exchange's fixed commissions structure a year ago, there has been no call any longer for a system for giving what amounted almost to backhanders to big clients.

What is more, the securities firms are faced with the need to comply with elaborate new rule-books involving concepts such as 'best advice'. It would be hard to square the traditional underwriting system with the new regulations.

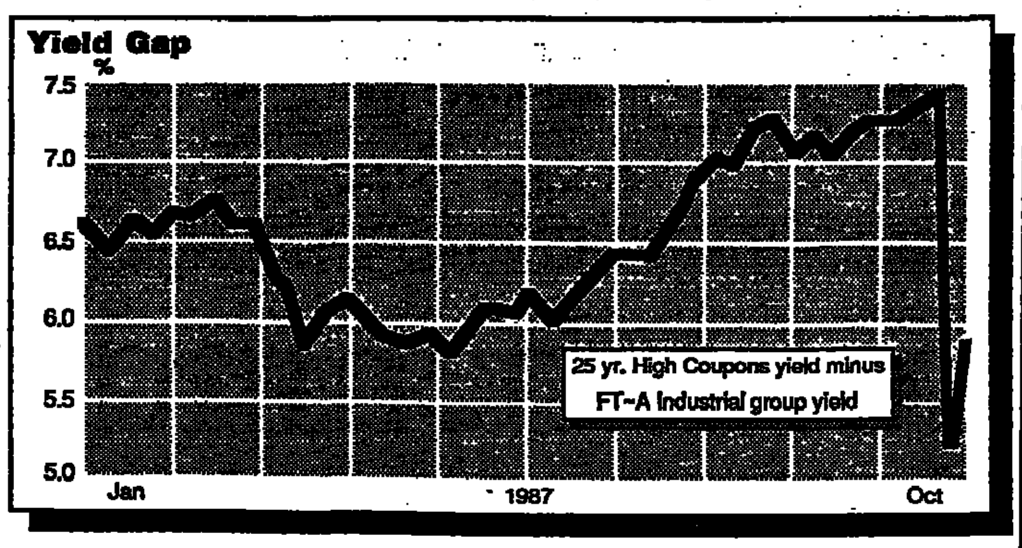
This is because on the one hand corporate clients have generally been overcharged, and on the other because some investment clients have been given favourable treatment. And if these practices are ruled out, the traditional system becomes unattractive for the merchant banks to operate.

There has already been an open row between the merchant banks and the institutions over pre-emption rights - that is, existing shareholders' right to enjoy first refusal of any new issue of stock by a listed company.

Now the BP crisis has underlined this parting of the ways. Big Bang has indeed been celebrating its birthday.

• CONTENTS •

Keeping your feet on the trampoline



WOULD HE, wouldn't he? America's fundamental problem of a budget deficit and a weakening dollar served merely as a backcloth to London's overriding question last week: whether Chancellor Nigel Lawson would pull the impending £7.2bn BP flotation.

As long as the potential strain on market liquidity was unresolved, share prices oscillated wildly.

Monday saw the sharpest fall a 111 point drop in the FT 100-Share Index - but even then the market had attempted a couple of rallies on thoughts that BP might be withdrawn.

The next three days saw less dramatic changes. There was a net 19.2 point gain, a 44.9 point loss, then another 23.6 point advance - but prices swung substantially during trading sessions as market-makers and investors seized on any selling opportunities.

By Thursday night - just 16 hours before dealings in the new shares were due to start - London dealers had their answer. The BP float would go ahead but with the Bank of England offering to contain the potential losses which underwriting institutions inevitably face.

The compromise was a fairly happy one. Should share prices plunge again and every underwriter purchase the partly-paid shares at 70p, the maximum cost to the Bank would top £1.5bn; the Government also continues to receive its £2.6bn from the first payment on the issue.

The Bank's intervention offer meant that over half the funds stumped up by institutions for BP - liquidity was at a fairly low level ahead of the current crisis - could be reclaimed.

Earlier fears that the forced sale of BP shares by underwriters could produce a stock overhang were largely dissipated; the Bank will not feed any stock back into the market for at least six months, unless the partly-paid price recovers to top the issue level of 120p.

The market's initial reaction was utter relief. By noon the

London

FT-100 Share Index had recovered almost 87 points - adding some £15bn to share values - while BP jumped from 259p to 285p.

As BP's 2.30 opening deadline approached, Footsie suffered a lunchtime pause. But with everyone singing the yield advantages of the partly-paid shares, they opened at 88p - a 25 per cent premium to the Bank's offered intervention price, and in fairly heavy trading had eased back to only 85p by the close.

All of this left the index down a modest 45 points on the week at 1749.8 - 694 points below its 1987 high, and just 70 points above its opening 1987 level.

The more fundemental US problems remain unresolved; and until the extent of America's sneeze becomes clear it is impossible to judge what kind of cold UK companies are going to catch in terms of 1988 profits.

Most market-watchers are still no wiser than they were a week ago. Warburg Securities argues: "It appears absurd the UK is down as far as Wall Street.

"The US economy is likely to show little growth over the next few years and US corporate earnings could decline in 1988. UK growth is likely to be in the 2-2.5 per cent area with 10 per cent earnings growth."

Wood Mackenzie concurs: "The implication is that UK equity and bond markets will outperform the US over the next few months."

The UK yield gap has narrowed considerably. The gilt market advanced, pushing the yield on high coupon longs to under 9.2 per cent.

The difference between the return on long gilts and that on the FT-500 Index has dropped from over 7 per cent at the end of September to about 5 per cent.

The cataclysmic state of the financial markets is throwing up curious contrasts with the historic figures reported by some companies.

ICI was the prime example last week. The company turned out a record third quarter profit, taking the figure for the first nine months to £1,004m before tax - a 38 per cent advance on the first three quarters of 1986.

Business was encouraging, said ICI, and in any other conditions the figures would probably have generated a warm response.

Instead the market took a fresh look at ICI's US exposure, noted the company's cautious statement about the impact of current upheavals, and marked the shares 24p lower at 990p. Ahead of the collapse they were trading at over £16.

Marks and Spencer fared considerably better, despite disappointing interim figures of £171.7m (£155m) pre-tax. Clothing sales were dull and food showed a small deceleration in sales growth.

The effect of the storms has yet to be felt. But any protection against world recessionary forces is a plus, and by Friday afternoon the shares had eased only 5p to 207p over the week.

The market collapse leaves existing predators with easy pickings: Matthew Brown succumbed to Scottish and Newcastle's £186m cash or paper offer by the first close, and directors of S and W Berisford are offering no guidance to shareholders on the 400p cash offer.

But will they be worth the money? Engineering group TI decided the prospective downturn in the US economy meant its $144m purchase of US manufacturer Bundy could not be squared with its fiduciary duty to shareholders.

Pearson aborted its plan to sell back a 16.9 per cent stake to Westpool Investment Trust; and the TSB raised a question-mark over its plan to acquire merchant banking group Hill Samuel for £777m.

Takeovers have not been the only casualty in the current turmoil. New issues on ice range from Thornton and Company, the fund management group, and trailer rental group TIP Europe, to Sotheby's Holdings flotation.

It will take a substantial market recovery before many of the 50-strong chain of outstanding rights issues are out of the woods, although many of these are small.

Next week sees the close of the £254m Ladbroke issue, where shares are currently trading at 342p against a rights price of 378p, and Kleinwort Benson's £143m call - 453p against 450p.

At one stage they were below 400p. But not everyone has the Bank of England at their elbow.

Nikki Tait

Still they keep coming

IT WAS A phenomenon of the bull market: the small company coming to the USM and placing its pricey shares in the hands of a fortunate few who saw them soar to a substantial premium in first day dealings.

Some things do not change, it seems, despite world markets in a state of spasm. Tubular Exhibitions, a company which makes crush barriers and organises exhibitions, had its shares placed last week on an historic p/e ratio of of 85. On Monday, its shares went to a 20 per cent premium and have not faltered since.

Other companies have been more cautious. Two big new issues have been postponed until next year, and many others until the markets calm down. But Fairway and the Company of Designers went valiantly ahead with their plans to float this week.

"Preparations for the issue were so far advanced, and had exhausted so much management time," said Kenneth Bavin, the finance director of Fairway, a printing company, "that we couldn't allow market conditions to cancel the flotation. We didn't want to lose the momentum."

As with the Company of Designers, a supplier of design services ranging from architecture to engineering, it was argued that the long term advantages of a stock-market quote far outweighed the short-term timing problems. But in both cases, the price of the new shares was slashed to make them more attractive to investors, and more shares were issued to raise the same amount of money.

THIS WEEK'S FALLS

The following table shows the percentage change in the FT 30-share index and its constituents over the past week. The FT-SE index is also shown.

	Price yesterday	% change on week	1987 High	1987 Low		Price yesterday	% change on week	1987 High	1987 Low
FT Ord Ind	1360.9	-2.6	1926.1	1288.5	Grand Met	394	-8.6	605	349
ASDA-MFI	177	+7.2	226½	142½	GKN	278	-9.4	434	244
Allied-Lyons	345	+1.1	471	290	Guinness	257	-10.1	389	248
BICC	305	-11.3	436	269	Hanson Trust	137	+6.2	195½	116
BOC	337	-7.9	559	320	Hawker Sidd	429	+0.7	630	377
BTR	249	-5.3	374	233	ICI	£10¾	-6.8	£16½	900
Beecham	423	+5.2	589	268	Lucas Ind	516	-2.1	795	465
Blue Circle Inds	359	+4.4	579	289	Marks & Spencer	204	-3.8	280½	180
Boots	252	+9.1	329½	215	NatWest Bank	500	-4.9	794	498
British Gas	152	+3.4	200	106	P & O	520	+10.6	776	425
BP	267	-7.3	416	238	Plessey	152	-9.0	258	136
British Telecom	237	+4.4	337	208	Royal Insce	421	+1.9	595	345
Cad Schweppes	236	+5.3	291	119	Tate & Lyle	620	-10.3	944	560
Courtaulds	337	-13.1	535	304	Thorn EMI	470	-10.5	830	436
GEC	180	-6.7	251	164	Trusthouse Forte	206	-2.4	293	179
Glaxo	£11⅝	+0.4	£18½	£10¾	FT-SE 100 Index	1749.8	-2.5	2443.4	1658.4

By contrast, Allied Restaurants, Paragon Communications and Blazer have all delayed their flotations for a week.

Junior Markets

Propeller and Sempernova are not coming to the Third Market just yet. Thornton & Co, the fund management group, and the London Forfaiting Company will review the situation again next year.

London Forfaiting, an export credit company currently a subsidiary of British & Commonwealth, planned to join the USM on November 11. It would have secured a market capitalisation of in excess of £150m and intended to raise between £30m and £50m of new money, a record for the junior market.

"We want stability before we float," said Stathis Papoutes, managing director, "but present market conditions are likely to generate a number of interesting new opportunities for the company."

It is difficult to see that this will be the case for Thornton, which would have had a market capitalisation of £80m. Prior to "Black Monday", it had funds of in excess of £1.2bn under its management. Much of this has been eroded, but David Pinckney, finance director, remains sanguine. "We're strong, and we will survive."

At least these companies had the opportunity to reconsider. Lloyd Thompson, an insurance broker, and Stanhope Properties, did not. First dealings in Lloyd Thompson shares were scheduled for Friday October 16, the day of the hurricane, but were postponed until Black Monday. Despite this unlucky timing, the shares mustered a small premium before stabilising at the 170p issue price, below which they have not fallen since.

Stanhope was not so lucky: a spectacular debut was followed all too soon by an equally spectacular crash. On Hurricane Friday it overtook Mrs Fields as the largest company on the USM in terms of market capitalisation. Its shares reached 317p, well above the striking price of 250p.

On Thursday night this week, however, the shares stood at a lugubrious 163p, in line with analysts' estimates of the company's asset value.

As much a feature of the bull market as the new issue was the "special situation" company, where speculative share ratings were exploited by entrepreneurial management to build up a business in a very short space of time. These, according to Hoare Govett, have suffered particularly badly on the back of a sea-change in investors' attitudes to speculative ratings.

Local London Group and the Marina Development Group, two innovative property companies, are prime examples of the special situation, and both have seen their share price buffetted in the last fortnight. But both are relatively smug, having made acquisitions just before the crash. The rights issues to finance these are still outstanding, and are bound to flop - but they are underwritten and the companies will receive the cash notwithstanding.

"We are bullet-proof," said David Heimann, MDG's chairman. "That might sound a hubristic statement, but we've completed our acquisition and have net cash in the bank. That's not a bad way to be under present conditions."

David Waller

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayer§ at 27%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	3.30	3.35	2.49	1.81	monthly	1	-	0-7
High interest cheque	5.60	5.75	4.22	3.07	monthly	1	1,000-4,999	0
High interest cheque	6.00	6.17	4.52	3.29	monthly	1	5,000-9,999	0
High interest cheque	6.40	6.59	4.82	3.51	monthly	1	10,000-49,999	0
High interest cheque	6.70	6.91	5.05	3.67	monthly	1	50,000 minimum	0
BUILDING SOCIETY†								
Ordinary share	5.00	5.06	3.81	2.77	half-yearly	1	1-250,000	0
High interest access	6.75	6.75	5.09	3.70	yearly	1	500 minimum	0
High interest access	7.00	7.00	5.27	3.84	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.65	4.11	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	5.84	4.25	yearly	1	10,000 minimum	0
90-day	7.75	7.90	5.95	4.33	half yearly	1	500-9,999	90
90-day	8.00	8.16	6.15	4.47	half yearly	1	10,000-24,999	90
90-day	8.25	8.42	6.34	4.61	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.00	7.30	5.50	4.00	yearly	2	5-100,000	30
Income bonds	10.50	8.04	6.06	4.41	monthly	2	2,000-100,000	90
Deposit bond	10.50	7.67	5.78	4.20	yearly	2	100-100,000	90
33rd issueΦ	7.00	7.00	7.00	7.00	not applica	3	25-1,000	8
Yearly plan	7.00	7.00	7.00	7.00	not applica	3	20-200/month	14
General extension	6.51	6.51	6.51	6.51	not applic.	3	-	8
MONEY MARKET ACCOUNTS								
Schroder Wagg	6.21	6.39	4.81	3.50	monthly	1	2,500 minimum	0
Provincial Trust	7.34	7.66	5.77	4.19	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS								
5pc Treasury 1986-89	7.99	6.59	5.66	4.88	half yearly	4	-	0
8pc Treasury 1992	9.20	6.98	5.50	4.27	half yearly	4	-	0
10.25pc Exchequer 1995	9.46	6.77	4.97	3.47	half yearly	4	-	0
3pc Treasury 1990	7.08	6.22	5.65	5.17	half yearly	4	-	0
3pc Treasury 1992	7.32	6.42	5.82	5.32	half yearly	4	-	0
Index-linked 2pc$	7.76	7.20	6.83	6.52	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000.Φ Special facility for extra £5,000 §Source: Phillips and Drew. $Assumes 4.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Bull profits in a bear market

NEXT WEEK the corporate sector will probably see the odd chicken coming home to roost; the disarray in the US economy, hitting both share prices and the outlook for profits, is likely to combine somewhat uncomfortably with decisions made in the bull market.

Monday brings the interim figures from Garry Weston's ASSOCIATED BRITISH FOODS. Analysts say that the ABF half-time profits are likely to be unremarkable - though estimates of £83m to £85m before tax, against a reported £72.2m last year, seem praiseworthy enough in the context of a £1bn cash mountain.

What the market will be watching for, in a morbid sort of way, is the result of ABF's 400p a share cash offer for S&W Berisford, the UK beet sugar refiner and commodity trader. They feel that Weston, who paid £133m for 23.7 per cent of Berisford in May but who is essentially a cautious man, was pushed into the fullscale bid when Tate & Lyle, a former contender, sold its 14.9 per cent Berisford stake to the Chicago-based Pritzker family and to Berisford directors for £100m in September.

In this week's stock markets ABF would get Berisford. On the one hand this would remove the drag imposed by static, or prospectively falling interest rates on its trading performance; on the other ABF is now paying a high price relative to the market and, given the chance, what it might prefer to do is to sit on its cash and wait for the roof to fall in elsewhere. The first closing date for the Berisford offer is next Thursday.

Also on Monday is the agm of ABACO, a rising financial conglomerate which has built a rapid physical growth profile on acquisitions for its own paper. Its many shareholders may be asking next week what Abaco has to show in the way of organic growth prospects.

Tuesday brings another financial sector AGM, this time hosted by MAI, which has expanded from money and securities broking and foreign exchange into advertising, reversing the concept of the Saatchi's unwelcome overtures to Midland Bank. MAI is highly exposed to US money markets and its recent experience there might be worth a word or two.

On Wednesday, there will be pressure points of one sort or another on two major British-based international companies, both of which have seen a dramatic re-rating in recent years.

LADBROKE, following its £645m acqusition of the Hilton International hotels operation, is in distinct danger of seeing its contingent £254m rights issue being left with the underwriters - a pity, since before the market collapse the company had weathered a couple of assaults on its share price following unsubstantiated rumours concerning its racing division. At least, say analysts, the Hilton acquisition is truly international, and will not increase Ladbroke's exposure to the suddenly unfashionable US economy.

The second company, due to report interim figures on Wednesday, is REED INTERNATIONAL. This summer, through a rapid-fire disposal and acquisition sequence, the group rid itself of paint and DIY, tidied up in paper and packaging and, with the £540m takeover of Octopus, emphasised its position as the UK's largest publisher – indeed, one of the largest in the world.

The market is expecting a lot

Results Due

from Reed this year. There are forecasts of a £50m rise in pretax profits from last year's £188m and the interim figures are expected to improve from £80m to £95m. However, the group does get a third of its profits from the US and while this was an attribute during the UK invasion of corporate America, it becomes less attractive in the context of a weak dollar and the consequent earnings losses on currency translation.

Next week's list also includes half-timers from two members of the Hunting collection – ASSOCIATED INDUSTRIES on Monday, and THE GROUP on Friday. Household names are represented by SKETCHLEY and AQUASCUTUM, the electrical and electronics industries by OXFORD INSTRUMENTS (interims Tuesday, say one team which follows the stock), ELECTROCOMPONENTS and MK ELECTRIC.

The week is expected to close with an interim report from HENDERSON ADMINISTRATION, the fund manager. There will be keen interest in any indications ofprospects for investment management in a sadly damaged market.

William Cochrane

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Alva Invest Trust	Wednesday	1.3	1.0	1.3
Cramphorn	Tuesday	1.7	4.5	-
Dale Simpson	Thursday	1.7	5.2	2.2
Five Oaks Invest	Thursday	-	-	-
Fleming Far Eastern Invest	Thursday	0.2	0.8	0.2
Keystone Invest	Thursday	2.0	3.5	2.0
Law W[illegible]	Friday	[illegible]	[illegible]	[illegible]
Pict Pe[illegible]	Monday	[illegible]	[illegible]	[illegible]
INTERIM DIVIDENDS				
Aquascutum	Friday	[illegible]	[illegible]	[illegible]
Associated British Foods	Monday	[illegible]	[illegible]	[illegible]
British Borneo Petroleum	Thursday	[illegible]	[illegible]	[illegible]
Colorol	Monday	[illegible]	[illegible]	[illegible]
Electrocomponents	Tuesday	[illegible]	[illegible]	[illegible]
German Smaller Companies	[illegible]	[illegible]	[illegible]	[illegible]
Grampian Television	[illegible]	[illegible]	[illegible]	[illegible]
Hambros Invest Trust	[illegible]	[illegible]	[illegible]	[illegible]
Hanover Druce	[illegible]	[illegible]	[illegible]	[illegible]
Henderson Admin	Friday	[illegible]	[illegible]	[illegible]
Hunting Assoc Ind	Monday	[illegible]	[illegible]	[illegible]
Hunting Group	Friday	[illegible]	[illegible]	[illegible]
Latham	[illegible]	[illegible]	[illegible]	[illegible]
Miller Stanley	[illegible]	[illegible]	[illegible]	[illegible]
Multitone	[illegible]	[illegible]	[illegible]	[illegible]
Reed Int	Wednesday	[illegible]	[illegible]	[illegible]
Renold	[illegible]	[illegible]	[illegible]	[illegible]
Sketchley	[illegible]	[illegible]	[illegible]	[illegible]
Smallbone	[illegible]	[illegible]	[illegible]	[illegible]
Swindon Private Hospital	[illegible]	[illegible]	[illegible]	[illegible]
TR Industrial & General Trust	[illegible]	[illegible]	[illegible]	[illegible]
Unit Group	[illegible]	[illegible]	[illegible]	[illegible]
Westbury	[illegible]	[illegible]	[illegible]	[illegible]
Windsor	[illegible]	[illegible]	[illegible]	[illegible]
York Mount	[illegible]	[illegible]	[illegible]	[illegible]

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
	Prices in pence unless otherwise indicated				
Aberdeen Const.	350†	325	340	57.92	Raine Inds.
Allebone & Son	120*	111	97	34.88	Charterhall
Berisford (S.&W.)	400*§	375	349	767.00	Assoc. Br. Foods
Bramall (C.D.)	646.66†	628	548	87.09	Avis Europe
Brown (Matthew)	669§	652	715	165.54	Scot.& Newcastle
Equity & Law	455.6	442	350	457.42	C'pagnie du Midi
ERIC	405*	380	300	14.00	TR Energy Res.
Hampton Trust	120*	108	116	100.00	Aurora
Hill Samuel	810*	755	684	777.00	TSB
IBL	41*	41	39	29.42	Inspect Intl.
Intl. Signal	144	138	219	245.89	Ferranti
Powerline Intl.	155.8†	125	153	18.94	Chloride
Samuelson	180†	163	137	38.97	Eagle Trust
Stewart Wrightson	417	618	500††	184.15	Willis Faber
Storehouse	324½	279	349	1.30bn.	Benlox
Tech.Comp. Inds.	255½	458	478	14.67	Baynes (Charles)
W'house & Rixson	109.33†	87	91	13.08	F'son & Firth B.

*All cash offer. †Cash alternative. ‡Partial bid. §For capital not already held. Unconditional. **Based on noon prices 30/10/87. ††At suspension. $Shares and cash. ΦRelated to NAV to be determined. ΨLoan stock. ‡Suspended

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Arenson Group	July	1,280	(751)	10.0	(6.0)	1.9	(-)
Bennett & Fount	June	2,700	(1,500)	-	(-)	0.7	(0.6)
Bridport Gundry	July	2,240	(2,840)	13.5	(19.1)	7.0	(6.2)
Brikat Group	July	1,300	(1,140)	20.9	(13.6)	2.6	(4.2)
Cooper Fredrick	July	3,950	(2,030)	11.9	(5.3)	2.3	(-)
Dwyer	Sept	776	(43 L)	8.5	(-)	-	(-)
Frogmore Estates	June	15,440	(13,330)	29.3	(-)	8.6	(7.6)
ICI	Sept†	313,000	(256,000)	87.0	(66.8)	-	(-)
Int'l City Hldgs	July	17,260	(14,190)	24.0	(25.8)	9.0	(9.0)
Irish Ropes	June†	304	(-)	5.4	(-)	-	(-)
Jefferson Smurf	Sept†	27,000	(9,970)	-	(-)	-	(-)
Kent John	July	859	(1,100)	5.2	(6.4)	0.6	(1.7)
Lucas Industries	July	114,500	(91,600)	61.1	(53.0)	16.0	(13.0)
LWT	July	23,020	(13,700)	80.7	(42.9)	28.5	(18.1)
Lysander Pet	March	79 L	(264 L)	-	(-)	-	(-)
Majedie Invest	Sept	2,480	(2,830)	6.5	(7.0)	6.5	(6.2)
Mckechnie	July	27,600	(15,180)	24.6	(20.8)	11.5	(10.0)
Memcom Int'l	April	1,670 L	(2,880 L)	-	(-)	-	(-)
Microfilm Repro	June	3,010	(1,820)	16.2	(9.7)	3.0	(2.0)
Pressac Holdings	July	2,830	(1,720)	20.2	(10.8)	3.1	(2.5)
Really Useful	June	5,750	(4,320)	31.9	(24.8)	13.2	(-)
Smart J & Co	July	1,430	(1,360)	9.5	(9.1)	5.2	(4.7)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Airflow Streamlines	Aug	983	(503)	1.0	(0.2)
Amercomer Energy	June	55	(73 L)	-	(-)
Anglo Leasing	Sept	2,560	(2,110)	1.0	(-)
Automotive Products	June	3,700	(3,900)	-	(-)
Benlox	June	603	(109)	-	(-)
Bertam	June	342	(234)	-	(-)
Boosey & Hawkes	June	186	(1,400)	-	(-)
Brown N.	Aug	4,900	(1,030)	3.0	(2.2)
Burtonwood Brewery	Sept	1,420	(1,700)	0.6	(0.6)
Central & Sherwood	June	2,100 L	(1,080 L)	-	(-)
Chelsea Artisans	June	88	(9)	-	(-)
Chesterfield Prop	June	3,020	(3,870)	5.5	(5.0)
Clarkson Horace	June	1,840	(1,520)	2.0	(2.0)
Comac Group	June	55	(22)	-	(-)
Cundell	June	859	(830)	-	(-)
Dwiler House	June	222	(38 L)	-	(-)
El Oro Mining	June	945	(629)	-	(-)
Elliott B	Sept	1,080	(542)	1.0	(1.0)
Exploration Co.	June	1,220	(731)	-	(-)
Forward Group	July	588	(420)	0.8	(-)
FR Group	June	10,100	(7,200)	1.6	(1.3)
French Connection	July	2,500	(1,284)	1.7	(1.7)
Grand Central Invest	June	358	(143)	0.3	(0.2)
House Prop. of London	June	98	(13)	3.0	(3.0)
Jackson Group	June	524	(480)	0.5	(0.6)
Marks & Spencer	Sept	171,700	(155,000)	1.5	(1.4)
Meliorware	June	394 L	(220)	-	(-)
PCT	June	406	(666 L)	1.6	(1.6)
Rockware	June	2,000	(193)	0.5	(-)
Rothschild J.	Sept	65,600	(65,900)	2.5	(2.5)
Rowe Evans	June	703	(552)	-	(-)
Shiloh	Oct	698	(495)	1.7	(1.5)
Stormgard	Sept	690 L	(193 L)	-	(-)
Underwoods	July	1,010	(1,000)	1.0	(1.0)
Upton E	Aug	172 L	(231 L)	-	(-)
Usher Walker	June	507	(325)	2.7	(2.4)
Warner Howard	Aug	1,600	(1,210)	0.9	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. †Third quarter figures

RIGHTS ISSUES

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Dexion Comino International plans to return to the London Stock Exchange early next year at a market capitalisation likely to exceed £100m.

Fairway s to come to the USM via a placing of 2.26m shares.

The world on Tokyo's shoulders

AN EERIE calm and even a bit of optimism descended on world stock exchanges yesterday. The world's largest market, Tokyo, has appeared most resilient through the last 16 days' chilling illustration that the world is one.

The plunge of the dollar, which had severely shaken markets in Europe and the Far East, took a pause and traders appeared willing to wait to see if the major economic powers could muster the political will to sort out their problems and avoid a major recession.

"We are at half time," says Nicholas Knight of James Capel in London, "and the second half will determine whether we have the second crash of 1987."

In the past two weeks world equity markets had lost about 18 per cent of their value by Thursday's close. With the buoyancy of Tokyo removed the rest of the world fell by 21 per cent. The difference is more striking when compared to highs for the year, with Tokyo pulling the world up by five percentage points, from 28 to 23 per cent off.

The strength of Tokyo confounded many forecasters who believed that Japanese shares were vastly overvalued. For months before the crash, foreign pundits had expected the highly-valued Tokyo market to lead a world equity shakeout. In the event it was the US that led the way, with Tokyo lagging well behind.

Yet how long can the world's largest stock market continue to hold out against the trend elsewhere, and what happens should Tokyo join in the collapse?

To date the sellers in Tokyo have been foreigners, stockbrokers and short-term investment trusts. The heavy-hitters, Japan's big institutions and investment trusts who own about 70 per cent of shares, have remained on the sidelines.

With the TSE's average prospective price/earning ratio still at a lofty 45 or so, market watchers worldwide continue to cast a nervous eye on Tokyo

The question is whether, or when, the big institutions will move out of the market. This would cause a crash of colossal proportions in Japan. "It's almost too frightening to think about," says one foreign broker in Tokyo.

Those who argue that Tokyo will remain resilient say that foreign selling, which has been a major factor to date, is virtually played out. Foreigners now hold about 3.5 per cent of the Tokyo market, compared with about 6 per cent last year. They could continue selling at their current rate for another six months or so, but their position in the market is now so small that they are are unlikely to affect the thinking of Japanese fund managers

The recent instability of the dollar works both ways. If the dollar plummets, the chaos could cause the big institutions to liquidate equity holdings to compensate for dollar-based losses abroad.

On the other hand such instability could well induce Japanese institutions to keep more money at home to avoid the currency turmoil, though this could have a disastrous effect on world capital flows. Real trouble in the currency market could also lead Japanese government officials to lean even more heavily on the institutitons to stand firm.

FT-ACTUARIES WORLD INDICES

Country	% Change from 1987 high point	US $ % change since Oct 16
Australia	−48	−33
Austria	−8	−8
Belgium	−25	−5
Canada	−31	−22
Denmark	−14	−11
France	−35	−22
W Germany	−24	−18
Hong Kong	−42	−38
Ireland	−34	−31
Italy	−29	−16
Japan	−19	−13
Malaysia	−45	−38
Mexico	−47	−38
Netherlands	−27	−19
New Zealand	−34	−30
Norway	−12	−30
Singapore	−47	−44
S Africa	−31	−27
Spain	−24	−23
Sweden	−23	−20
Switzerland	−27	−25
UK	−29	−27
US	−31	−18

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So far the Ministry of Finance has quietly informed institutions and stockbrokers that it expects them to hold on and help defend the market against a tumultuous collapse. This in turn has engendered some resentment on the part of money managers, who grumble that the government is using them to ensure that the upcoming sale of shares in Nippon Telegraph and Telephone (NTT) goes off successfully.

As Tokyo has not fallen as far as other markets, institutions could still sell many stocks at a profit. As Japanese accountancy rules now require the big funds to value their investments every six months at market prices, not cost, there is more pressure on managers to consider profit-taking.

On a six month view, the funds have to start making some money sooner rather than later. Will their move to take profits start another calamitous round of selling? The answer to that depends on how much confidence one has in Japan's ability to control its own markets and institutions. Nicholas Knight, of James Capel, does not believe that a further fall in Tokyo would necessarily cause other markets to come unstuck, simply because Tokyo has lagged behind in the fall. But if the decline rushes past the 20 per cent or so limit, then it could easily signal round two of the great crash of 1987.

Tokyo's insulation is not shared by its neighbours in the

World Markets

Far East: Singapore, Hong Kong, and Australia have been the worst hit markets anywhere in the world.

Seoul, which is largely barred to foreign investors, seemed perversely to defy the international trend earlier in the week when it touched a record high on the composite index Tuesday. But it too has now come off the heights as the realisation has struck home of how a falling dollar and a possible US recession would affect its highly export-dependent economy.

Australia had enjoyed a giddy boom in the market earlier in the year as gold and other resources shares attracted international attention.

But the higher they go, the further they fall: Australia has crashed by 33 per cent in two weeks. Pessimism over gold has led the way. Australia's resource-based economy would be highly vulnerable to a US world recession, and doubts are raised about the ability of its entrepreneurs to withstand the crash of share prices in view of their high gearing.

Singapore and Hong Kong had also enjoyed strong bull markets earlier in the year, benefiting in part from international fund managers who took profits in Tokyo and sought better value elsewhere in the region.

The Hang Seng Index suffered a deathly 33 per cent decline on Monday when the market reopened after a week's closure. A HK$2bn rescue package for brokers who were exposed to the futures market was insufficient to restore investor confidence, and it took another HK$2bn in the kitty - funded in part by China - to restore relative order.

The market has continued to decline - off 41.7 per cent since October 14 on the Hang Seng - but the biggest loss of all may turn out to be Hong Kong's reputation as an international finance centre.

European markets withstood the first week of the crash with relative composure, but much of this came unstuck as the US dollar wavered and then plunged amid deep doubts over the integrity of the Louvre accord on the dollar that was aimed at maintaining exchange rate stability.

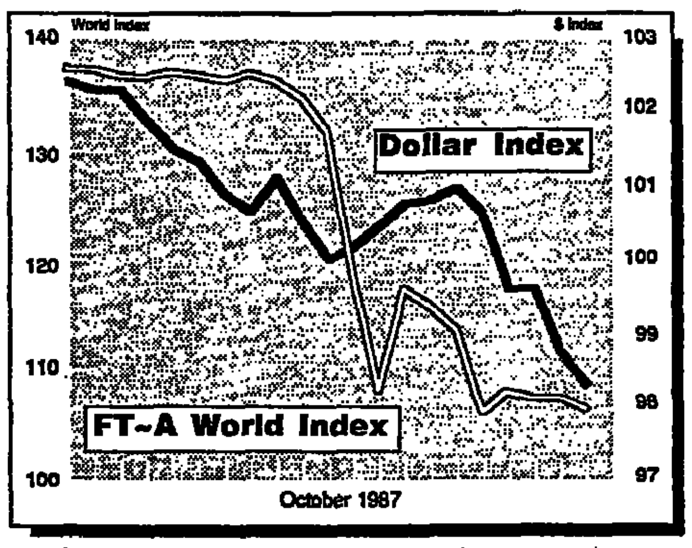
Record declines were registered elsewhere on the continent, where many markets plumbed new lows for the year and on Thursday Stockholm and Madrid faced severe liquidity crises amidst relentless selling.

On Friday the apparent newfound strength of the dollar and market recoveries across the globe gave new grounds for optimism that the bottom had been found for the moment. But this could be only temporary.

The US trade and budget deficits underlying the crash are unsustainable, as is the valuation of the US dollar. Correcting these imbalances would require an unprecedented level of domestic US political accord and international cooperation.

But the international stock market crash has at least forced policy-makers to stare down into the abyss of financial crisis and deep recession. There can be no doubt now what is at stake.

Steven Butler and Carla Rapaport



How to whistle in the dark

"THE BEAR has only one desire, and that is to move the market to lower levels while taking the greatest number of stockholders with him. In order to do this, the Bear must keep investors' hopes up. The Bear does this via frequent and often violent rallies against the primary downward trend.' Over the next few months these gloomy words, written last weekend by Richard Russell, author of the Dow Theory Letter, should echo like a Wagnerian leitmotif through every investor's head.

The point is not that anyone can say for certain that the dreaded Bear has now finally taken over. Russell's Dow Theory, based on the interplay between the Dow Jones Industrial, Transportation and Utility averages, may now be firmly bearish, along with many other technical and mechanistic analyses of market movements, but most of these techniques have given plenty of wrong signals in the past and will certainly continue to do so in the future

The real point of highlighting Russell's warning is to draw attention to a fact which is incontrovertible: that every bear market looks constantly as if it is about to turn bullish, and it is precisely at these turning points that the bear traps more and more of the unwary investors who have survived his previous assaults.

In retrospect it may turn out that Monday night this week, when the Dow Jones Industrial Average fell 156 points to below 1800, was one of the great buying opportunities of a lifetime.

To judge by the market activity during the rest of the week, not only on Wall Street, but also in Tokyo, London and the US bond market, the Crash of 1987 may soon be turning into a mere historic curiosum. It was the biggest, costliest and most frightening correction ever, but maybe after all it was just a correction in a continuing bull market.

That certainly appeared to be the growing sentiment among investors once they had got the selling spree of Monday behind them. The third biggest decline, in terms of points, in Wall Street's history had not degenerated into a second Black Monday.

The bargain hunters had kept coming out in force as the Dow bounced repeatedly just below 1800, and trading volume, while enormous, never approached the frenzied levels of the week

Wall Street

before. To put it in a word, it seemed the market had finally found a bottom.

Needless to say, the subsequent jubilation has been impressive. With a gain of 220 points, or 13 per cent, by Friday lunchtime, the market had recovered to well above 2000.

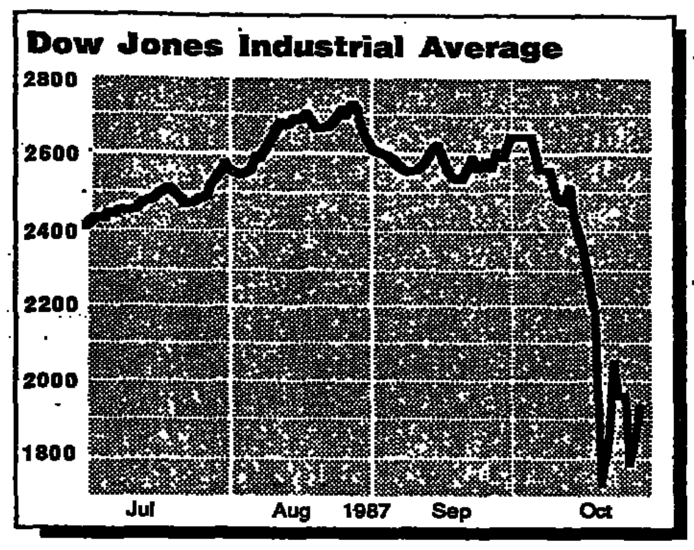
Investors lucky enough to have bought shares prior to January 20 this year were once again showing a gain - assuming they were prudent enough to buy in cash and not on margin, and brave enough to keep a grip on their portfolios during the panic of the previous week.

With the second successful assault on the 2000-mark since the crash now completed, many such satisfied investors are now readying themselves for another big upward run - perhaps to 2200 or so within the next few weeks.

As for what lies beyond that: few of the analysts are ready just yet to stick their necks out, but already the bashful murmurings of 'the worst is behind us', 'new highs by next summer' and 'Dow at 3000' can readily be discerned.

The main reason for optimism is obvious. If IBM was worth $170 last summer, why not $180 next year? There was no clear economic reason for the last few month's market panic, therefore we may as well assume that the market levels which prevailed before it will soon return.

The counter-argument is equally simple: there was no clear economic reason for the market's giddy climb throughout the last 12 months either. But this observation, so popular only a few days ago, is falling



out of favour with every ten points the Dow manages to add.

However, before concluding that the bull market is once again up and running, it is worth reflecting on two of the most important events that have not happened during the past two weeks

Almost no Wall Street economist has publicly forecast a recession in the US economy anytime between now and the end of 1988 - which means in practice, anytime in the foreseeable future, since none of the popular econometric models are deemed for a time horizon much beyond one year. The absence of a recession would seem to be good news for the financial markets. But it does provoke one niggling thought

If a recession is in store, the present price structure and state of expectations on Wall Street certainly does not reflect that danger. If any serious signs of recession do materialise during the next few months, the market will almost certainly crash again - and probably fall a good deal further than its nadir on Black Monday.

The second non-event of the week could be even more important. Contrary to almost universal predictions, there has been no crash on the Tokyo market. Indeed, Tokyo's persistent buoyancy each night, including most crucially the night after the Dow's 157 point collapse on Monday, has probably been the week's most bullish influence on Wall Street.

After all, the bulls do seem to have a point so long as Tokyo continues to demonstrate so graphically that there is no such thing as gravity in the world of 1980s international finance. If Nomura Securities can have a market capitalisation of over $60bn, why shouldn't Ford or General Electric be worth at least half as much? And if Nippon Telephone can have a market value two thirds of that of the entire GNP of the United Kingdom, why shouldn't IBM be worth two thirds as much as Sweden?

Remember though, that the Bear can answers all such questions with another: What happens to Wall Street after Tokyo finally does crash?

Monday	1793.93	−	156.83
Tuesday	1846.49	+	52.56
Wednesday	1846.84	+	0.33
Thursday	1938.33	+	91.51
Friday	1993.53	+	55.20

Anatole Kaletsky

Alice Rawsthorn announces the results of the Great Investment Race

Ended in the nick of time

THE TIMING could scarcely have been better. The Great Investment Race ran its course through one of the most bullish years that the world's stock markets have ever experienced. And it ended just before the crash.

As a result the charities which will receive the profits of the Race have benefited from the best of the stock markets and avoided the worst. Charity Projects, the group which conceived and has organised the Race, has raised £779,856 to donate to charity.

In the Great Investment Race six teams of fund managers pitted their investment skills to see which could raise the most money for charity by managing a portfolio worth £35,000 for a year.

Between September 24 1986, when the Race began, and September 23 1987, when it ended, the FT-A All Share Index rose by 51 per cent. In the US the Dow Jones Index surged by 43 per cent over the same period, while in Tokyo the Nikkei Index jumped by 38 per cent.

Yet the teams performed even better. The value of their original portfolio - the £210,000 given to Charity Projects as an interest free loan by Prudential Unit Trust Managers, the Race's sponsor - increased by no less than 471 per cent.

The Great Investment Race began with £210,000 and ended with £989,856. By comparison Charity Projects would have emerged with a profit of just £13,440 had it sunk its money into gold, or £18,578 had it plumped for a Halifax Building Society account.

Individually some of the teams fared even better. The most successful teams tended to be the most opportunistic.

The winner, Prudential Portfolio Managers, favoured a speculative strategy from the start - ploughing huge sums of money in and out of the futures markets from day to day - and boosted the value of its portfolio elevenfold to make £346,229 for charity.

Similarly Fidelity, the fund management group, benefited by balancing high risks against high rewards to make a profit of £210,346, and Hoare Govett, the London stockbrokers, presented Charity Projects with £143,502.

Messel, another London broker and part of the Shearson Lehman group, more than doubled its money to make £48,586, while Nomura, the Japanese securities group, and Bell Lawrie, the Edinburgh-based brokers, fell behind the rest of the field but produced respectable profits of £17,095 and £14,098 respectively.

Charity Projects is now finalising its plans to donate the profits to charity. Charity Projects was formed three years ago by Jane Tewson, who then worked for Mencap, the charity for people with mental handicaps, to stage fund-raising events for charity. In order to ensure that every penny of the money raised goes to charity, all the project's running costs are sponsored by individuals and corporate supporters.

It is Charity Projects' policy to favour charities which would otherwise find it difficult to attract funds - which are too small to muster the resources to raise money at a national level, or which work in "unappealing" fields. It has donated substantial sums to those which help the young homeless or unemployed and the young victims of drug and alcohol abuse.

The money raised by the Great Investment Race will be divided between the Home Farm Trust, Shape and a wide range of smaller charitable groups.

The Home Farm Trust provides long term care for adults with mental handicaps in a network of residential and day care centres across the country. It will receive £233,957 from the Race, which will be used to construct craft workshops at its new centre in Bedfordshire.

Shape, a national network of groups aiming to build bridges between people with disabilities and the arts, will receive £155,971. This money will be distributed between five of the regional organisations within the network; most of it will be used to fund training: for example to enable people with disabilities to work within the arts and arts adminstration.

The rest of the money will be donated to a variety of projects: £20,000 goes to Broadreach House, a centre for young people with drug and alcohol addiction problems in Plymouth. Broadreach will put the money towards the purchase of a half way house to provide patients before they return to life in the community.

Centrepoint, an organisation based in the Soho area of London to help the young homeless, has received £22,000 for a six-month research project to find out why young people become homeless, what type of people they are, and what becomes of them.

Other grants have been given to provide an assistant director to a group working with young deaf people; to buy and convert a mini-bus for the use of people with disabilities in a rural area; and to purchase a house to provide accomodation for homeless young women with children.

Charity Projects is now finalising plans for the next Great Investment Race and for the FT Readers Race which will run alongside it. Prudential Unit Trust Managers will again act as sponsor. It has offered to increase the value of its sponsorship to £500,000 enabling more teams to participate.

The Race will begin as soon as the new teams have been signed up. Charity Projects is crossing its fingers in the hope that the mood of the stock markets will be rather more benign in the New Year.

JOINT winners of the FT Readers' Race, which was run in conjunction with the Great Investment Race, were each presented with £1,250 worth of Prudential-Holborn unit trusts by Alan Wren, chief executive of Prudential-Holborn. Chris Paul(left) of Wimbledon, and Frank White(centre) of Boston chose units in the Holborn Special Situations Fund on the grounds that it provided the best scope for benefitting from any general recovery in the stock markets.The Readers' Race raised an additional £17,000 for charity.

Pru gallops past the post

Bell Lawrie

WHILE so many of its fellow teams set their sights on the high risks and high rewards of speculative investment, Bell Lawrie, the Edinburgh stockbroker, began the Race intent upon pursuing a more cautious investment strategy.

"We decided to manage the portfolio as we would that of any other private client who wanted high growth from their investment," says Derek McIntosh. "But half way through the Race we saw how well the other teams were doing and tried to become more speculative. In retrospect that was an error."

The Bell Lawrie team - composed of Derek McIntosh with his colleagues Alan Henderson, Frank Malcolm and Bryan Johnston - began by assembling a broadly based portfolio of UK equities. Originally it intended to hold the portfolio throughout the Race and pocket its profits at the end.

But half way through it sold some of the shares in order to release capital to chance its luck in the traded options market.

Bell Lawrie made a mistake. Some of the shares - such as Grampian Holdings, the Scottish mini-conglomerate, and Pacific Assets, a Far Eastern investment trust - were worth much more by the end of the Race. Moreover it made a few blunders with options. As a result it trailed behind the field for much of the Race, and finished last with a profit of £14,098.

Undaunted, Bell Lawrie is determined to re-enter the Race next year. "We will adopt the same cautious approach," says McIntosh. "But this time we will stick to it!"

Fidelity

"WHAT wonderful timing!" says Peter Pleydell Bouverie of Fidelity. "The Race could not have ended at a better moment, exactly a month before the stock market crashed."

For much of the Race the team from the Fidelity fund management group flourished in a bullish stock market. It had adopted an opportunistic investment policy from the start and led the field for the first half.

Fidelity was most successful in the Far East, chiefly in equity investment. It ran into a few problems with Japanese warrants and a few stocks which did not perform as well as it expected. Nevertheless, by the end of the first half the value of its portfolio had quadrupled.

The team - which embraced Pleydell Bouverie, Anthony Bolton and Gary Lowe - opted for a more conservative approach for the second half of the Race.

"By that stage we had made a reasonable ammount of money and decided that we should consolidate our position and ensure that we saved it for the charities," says Pleydell Bouverie. "It was already apparent that the markets could have turned against us. Nevertheless, we were prepared to run a few risks to make a bit more money towards the end."

Fidelity finished in second place, having made a profit of £210,346. It has decided not to enter the 1988 event but intends to continue its involvement with Charity Projects and has made a donation to sponsor the appointment of a grants assistant, who will work on grants for smaller charities.

Hoare Govett

"WE WERE aggressive from the beginning," says Peter Clark of Hoare Govett. "At first the results were not at all imposing, but after that everything went very well."

Hoare Govett, the London stockbrokers, fielded a team of five people: Brian Baughan, Peter Meinertzhagen, Roger Nightingale and Roy Burns as well as Clark.

The team got off to an uninspiring start by losing money on an unsuccessful rights issue from Bunzl, the paper and plastics group. After this setback Hoare Govett floundered for a few months, but surged ahead in the second half with a series of successful - and highly speculative - investments.

The team had most success with small property companies in the UK and the secondary market in Australia. Hoare Govett ended the Race in third place with a handsome profit of £143,502. It is now bracing itself for the next bout. The composition of the team will change - it will include representatives from each of the overseas sales desks - but the strategy will be as aggressive as ever.

"In the first Race we took a short term view of relatively few stocks and it worked!" says Clark.

How the teams fared:	Profit made:
Prudential Portfolio Managers (tactics: speedy dealing in futures and speculative trading in equities chiefly on the London stock market)	£346,229
Fidelity (tactics: opportunistic investment in equities, principally in the Far East. Built up capital gains in the first half of the Race, consolidated in the second)	£210,346
Hoare Govett (tactics: after a slow start gathered momentum in the second half through highly speculative equity investment, successful in property and Australia)	£143,502
Messel (tactics: opportunistic investment in equities in various international stock markets. Successful trading in financial futures but misjudged the pound in summer)	£48,586
Nomura (tactics: initially one of the more aggressive teams, but lost momentum as the Race progressed. Concentrated on its native Tokyo market and blue chip equities)	£17,095
Bell Lawrie (tactics: intent on running the Race as if it were managing a growth portfolio for a private client. Adopted cautious policy of investment in UK equities. Floundered in the traded options market in the second half)	£14,098
Total:	£779,856

Source: The WM Company

Messel

"BEFORE the Race began we thought that to double our money in a year would be pretty aggressive," says David Hunter of Messel. "Clearly we were too conservative."

The team from Messel - the London broking house which is part of the Shearson Lehman group - succeeded in more than doubling the value of its portfolio and has presented Charity Projects with profits of £48,586, finishing the Race in fourth place.

David Hunter - with his teammates Sue Blacker, Geoffrey Chamberlain, Michael Del Mar and Peter Jones - split the portfolio between equities and financial futures.

By and large Messel prospered in futures, but the team misjduged the money markets after the General Election. "We were convinced that the pound would go up," says Hunter, "It went down".

But Messel compensated with successes in equities. One of its best investments was a stake in Acsis Jewellery, a USM-quoted retailing group which has become the investment vehicle of Daryll Phillips, the South African entrepreneur. The Acsis share price trebled during the Race. Messel was able to pocket a tidy profit before it tumbled in the recent crisis.

In retrospect Hunter wishes that Messel had been rather more opportunistic. "Success or failure seemed to depend on one's definition of risk," he says.

Nomura

BEFORE the Race began many of the teams confessed that they regarded Nomura - the largest securities house in Japan, which had just ventured into the London stock market - as their most dangerous rival.

Their concern was exaggerated. Nomura fared well in the opening weeks of the Race, but its performance was rather dull from then onwards. It ended the event in fifth place, just ahead of Bell Lawrie, with a profit of £17,095.

For much of the Race Kenichi Fukuhara managed the Nomura portfolio on his own. For the next event he plans to seek support by drawing on the skills of other colleagues within the group.

Fukuhara concentrated on one or two stocks at a time and stuck to the Tokyo market as "the area that I know best." Having increased the value of his portfolio in the early weeks of the Race he decided to hold onto his gains.

"With hindsight I should have been more aggressive and moved into new investments," he says. "But I was not prepared to take the risk."

Fukuhara envisages a different approach for the Race in 1988. "We will field a larger team," he says, "move into different world markets and be much more agressive."

Prudential

HAVING stolen the lead from Fidelity at the half way stage, the team from Prudential Portfolio Managers led the field for the rest of the Race.

The Pru decided at an early stage to concentrate on its special skills of investment in UK equities and in the FT-SE equity futures market. The result has been spectacular. Within a year its portfolio multiplied almost elevenfold and it has made £346,229 for charity.

The Prudential was especially successful in its futures trading. "Even in a strong market there are times when sentiment turns bearish," says Pullen. "In those instances, if you read the market correctly you can make a lot of money."

It also fared well with equities. One of the most successful investments was in Miller & Santhouse, the USM-quoted opticians, in which it invested as a new issue. But the Pru's biggest coups were a series of futures investments in which it would sink tens of thousands of pounds into individual deals for a day.

The Pru is now bracing itself to guard its laurels in next year's event. "There is no doubt that the investment markets will be less supportive in 1988," says Pullen. "But there are good times as well as bad in a bear market. We will be hunting around for the good times."

• FINANCE & THE FAMILY •

The equities dream ends

INVESTORS ARE still reeling from the great equity market collapse. The plunge in share prices came as a reminder of the age-old truth that equity investment is risk investment.

The more enduring attractions of gilts now stand out in relief, especially because the subdued growth, low inflation economic outlook stemming from the world stock market decline holds out the prospect of short-term capital gains on fixed interest securities as interest rates fall.

What has happened in the past two weeks is that investors have made a radical reassessment of the likely real returns from their investments. Equity markets were borne higher on optimistic projections of profits growth. These ran well ahead of what the world economy, locked in a 2 to 3 per cent growth range, could reasonably be expected to deliver. To compete with buoyant equity markets, fixed interest securities had to give substantial real (that is, inflation-adjusted) yields of 5 per cent or more.

The equity dream is now over, and share prices have dropped back by about 30 per cent from peak levels. This brings equities into closer alignment with the realities of productivity growth and profits expansion. It also leaves room for real yields on fixed interest securities to fall. Already, 20-year gilts yields have dropped by a full percentage point in the past two weeks, most of which reflects a decline in real yields.

The decline in real yields on gilts probably has much further to go. Historically, the average real yield has been 2½ to 3 per cent. There is, therefore, a reasonable hope that gilt yields can fall by 2 per cent or more while simply reflecting an adjustment back to normal levels in real yields.

The other factor which is important for gilt prospects is inflation. Central banks in the US and UK have been quick to pump liquidity into the financial markets in the past few days - action which has given rise to inflationary fears in some quarters. Far from adding to inflation pressures, however, this extra liquidity is aimed at preventing deflation. The fact that there still seems to be some distress in equity markets is a strong indication that the central banks have not yet overdone their liquidity additions.

One of the features of the market collapse has been its effect on sentiment in commodity markets. Raw material prices, which had been buoyant through the summer, have turned sharply down as end-users lower their sites on output growth. Labour costs should also remain well-contained as employers' resistance to high pay claims is stiffened in the bleaker economic climate.

This leaves currency factors as a potential source of inflation. This should not be as much of a problem for the UK as for the US, where the dollar is likely to be weighed down by the twin budget and current account deficits. International investors seeking a high interest return will be tempted to diversify away from these US problems into the gilt-edged market, which is now offering yields higher than those available on US Treasuries.

Stephen Lewis, of Phillips & Drew, looks at prospects for the gilts market

A further consideration favouring gilts is the low proportions of fixed interest securities now held in UK financial institutions' portfolios. Before the stock market collapse, these proportions had reached all-time low levels of 11 per cent for UK pensions funds, 21 per cent for life assurance companies. The institutions will now probably swing much of their new investment in the direction of gilts, to bring fixed interest weightings close to normal.

For them the problem is that, with the Government's borrowing needs at negligible levels, gilts are not being created on a scale to meet their requirements. The resulting shortage of gilts is likely to push gilt prices higher.

The influences which have kept gilt yields high for so many years are now giving way to a much more favourable set of circumstances. It is not fanciful to look for long-dated gilt yields to decline from about 9 per cent to between 6 and 7 per cent over the next two to three years. This would yield capital gains for the investor of 20 per cent or more.

Offset losses against assets

A CRUMB of comfort for shareholders who have lost money in the past two weeks will be the chance to reduce their tax bill. Losses can be set off against capital gains on other assets. With capital gains in excess of the £6,600 annual exemption you stand to recoup 30 per cent of your share losses - the current rate of CGT.

Those who plan to hold on to their shares hoping to ride out the current stock market dip may also benefit from paper losses suffered so far. By selling and buying back the shares, the loss is crystallised and can be used to offset capital gains.

Two factors may make this route unattractive. There are dealing costs and stamp duty to pay in selling and buying back; and if shares rise between the sale and repurchase, the investor will lose out.

The two transactions must be separate to work, exposing the shareholder to genuine risk. It may be enough to sell the shares one day and buy them back the next.

But Mr Christopher Bull, a tax partner with Price Waterhouse, warns that it is safer to buy and sell in different Stock Exchange accounts so that there is no doubt about the validity of the loss.

Under the account system share settlement is made every two weeks. An investor's sales and purchases are netted to leave the amount he owes or is owed. By selling in one account and buying in another, with settlement in between, there can be no doubt about the separation of the two transactions, says Mr Bull.

Allowable losses on shares may arise, even though their current value is higher than the price paid for them, due to an indexation allowance designed to take purely inflationary gains out of the tax net. It can also turn a gain into a loss or increase the loss size.

Shares bought two years ago may now stand at the same price, but in real terms there has been a loss which is recognised by the taxman.

A number of rules make this a complex area of tax law. They include:

● Complicated rules govern the treatment of shares bought at different prices in the same company. The Inland Revenue uses several pooling arrangements to calculate the original cost of the shares sold. Different rules apply to shares bought and sold within the two-week Stock Exchange account: the last bought are the first sold.

● Losses made on shares which are sold to another family member cannot be used to reduce a taxpayer's overall liability to CGT - even if the sale is at market price and is all above-board. The losses can be set only against profits made from a transaction with the same family member.

● "Bed and breakfasting" to realise losses reduces future indexation allowances because the shares are bought back at a lower price than their original cost. The lower cost means there will be fewer inflationary profits in future years to generate the allowances.

Richard Waters

Savers' seminar

MONEY EIGHTY SEVEN SHOW
PERSONAL INVESTMENT & BUSINESS FINANCE

THE recent debacle on the stock markets, the Money '87 Show at Olympia, London, next week is likely to be different from the planned event.

Although under different management, the show is being run on the same lines as the previous two, held when the stock markets and financial services industries were booming andvisitors were intent on enlarging their fortunes. This year they will want to find out how to protect themselves.

The organisers are confident they can deal with the new scenario and expect attendance during the four days to reach about 30,000. There are 280 exhibitors this year - up 40 per cent - covering a range of financial products and services.

The show offers 31 seminars dealing with a variety of subjects, from financial planning for retirement to management buyouts and investing in platinum. There will also be seven specialist interest centres, offering free advice and information on investor relations, stock exchange, investment trusts, pensions, futures and options, unit trusts and FIMBRA (Financial Intermediaries, Managers and Brokers Regulatory Association).

The Securities and Investment Board is taking a stand for the first time, reflecting important changes in investor protection planned for next year. It will explain its key role in implementing the Financial Services Act. Chairman Sir Kenneth Berrill will attend the show on the opening day.

While share sellers may be on the defensive, suppliers of other products such as mortgages, pensions, insurance and deposit accounts could have a field day offering their wares to a more receptive audience.

The show runs from 11am to 7.30pm on Thursday, 10am to 6pm on Friday and Saturday and 11am to 5pm on Sunday. Entry is £5 at the door, but tickets distributed by exhibitors, intermediaries and magazines are free or at a discount. Every 100th visitor will have the chance to win an FT FacTmaster personal organiser. If the ticket number matches those displayed on FT stand number 4015, the prize is yours.

John Edwards

Home loans

INVESTORS, who were unwise enough to borrow money for speculating on the stock market–and there are believed to be quite a lot of people who are in this position– are obviously in real trouble.

One solution is to borrow more, using your house as collateral, bearing in mind that mortgages are among the cheapest source of money. London intermediaries, Noble Warren for example, quickly stepped in this week offering a second mortgage facility immediately at 3 per cent above base rate,and a remortgage at 11.5 per cent if you can afford to wait for six weeks.

In both cases you can borrow automatically up to 70 per cent of the value of your property and occasionally this can be increased as high as 95 per cent.

The recent cut in the base rate - and the prospect of another reduction - is putting downward pressure on mortgage rates. The Mortgage Corporation announced this week that it has cut its LIBOR(London Interbank Offered Rate) from 10.9 to 10.25 per cent and Chase de Vere Pall Mall is offering a two-year fixed rate mortgage at an interest rate of 9.95 per cent.

Time to hold hats

PRIVATE investors seemed to have showed most nerve over the stock market crash. Many unit trust groups reported that there were still net sellers of trusts, primarily because private investors viewed the fall in prices as a good opportunity to buy. In almost all cases the big redemption of unit trusts came from brokers and instititional investors.

An instant survey by Audience Selection, a London telephone research agency, found that over half the investors in stocks, shares and unit trusts believed things were bound to get better.

However the crash did expose a rift within the unit trust industry. Some suspended dealings completely, especially in Far East funds, on the grounds that they were unable to provide a realistic valuation for the funds.

Some switched to forward pricing - offering to deal at a price to be fixed some time ahead. But others, notably the biggest unit trust group, M & G, managed to continue dealings uninterrupted. Roger Jennings of M & G said it was a matter of principle. Its system of daily pricing, at 1pm, enabled it to deal at prices adjusted in accordance with changes in the index.

Many other groups, however, did suspend dealings for a time, much to the fury of some sellers, particularly brokers. One intermediary in northern England wrote to several groups expressing his "utter disgust" at their conduct and vowing never to buy another unit trust. Certainly, there was considerable resentment amongst investors that they were not given the freedom to deal just when they most wanted to take action.

Bill Stuttaford, chairman of the Unit Trust Association, claimed that managers had to contend with a completely novel situation because such rapid price falls had not occurred before, even in 1929. Managers had to reconcile the legal requirement to produce accurate valuations before creating or cancelling units and the ability to deal at all times during normal working hours with would-be buyers or sellers. The problem was that it usually took three to four hours to produce portfolio valuations.

As the week wore on most managers adapted workable solutions, he said. Some went onto a forward pricing system, storing orders from unit-holders willing to deal "blind"; others obtained permission from their trustees to revise their prices more than once in a day.

The fact that some groups turned to forward pricing is something of an embarrassment to the Unit Trust Association, which is strongly opposed to a proposal by the Securities and *Investment Board(SIB) that unit* trust groups should switch to forward pricing as in the US.

Stuttaford was quick to point out that forward pricing, although workable, had proved very unpopular with investors. Many fund managers confirmed that they had received many complaints about dealing on a forward price. Nevertheless the UTA's case against forward pricing has been severely weakened, especially as some of its leading members like M & G and Fidelity are not strongly opposed to the idea.

The decision by many groups to suspend dealings completely for some time was strongly defended by managers as being in the interest of existing unit-holders. Ian Sampson of NM Schroder commented that he was not prepared to let the "switch merchants" make hay at the expense of existing holders.

Ironically the Unit Trust Association produced end-September figures this week showing an enormous expansion in the number of unit-holders, a record monthly figure for net new investment and the value of funds under management breaching the £50bn mark for the first time.

It is anticipated that by now the value of funds is likely to have dropped to £40 bn as a result of the crash. The average industry loss for funds is put at about 20 per cent, although of course this varies widely with Australian and Far Eastern funds showing much bigger losses and fixed interest and bond funds much lower losses.

Ever resourceful, and in tune apparently with the mood of many private investors, unit trust groups are now publicising the advantages of new funds which have not yet invested the money received, suggesting they will be buy shares at bargain basement level.

John Edwards

Baring up in the storm

BARING FUND managers held their annual conference for professional advisers this week. Perhaps they were aiming to coincide with the first anniversary of Big Bang; they actually coincided with more than they bargained for.

The prearranged international investment theme of the conference matched the events of the past fortnight. As unit trust *managers with a distinct inter*national flavour, Baring came into the conference chamber with funds of about £330m under management, down from a peak of more than £430m.

Marketing director Peter Hall said the drop was due to the market maelstrom: "Our sales-to-redemptions ratio was still two to one over the period of the crash," he said, pointing out that Barings is not protected by assured cash flow from monthly investment plans.

So what's next? John Bolsover, chief executive and chief investment officer of Baring International Investment Management, London, counselled a sober assessment of international economies and equity markets, and gave an oblique view of his game plan by describing a foreign market which peaked this week.

In many ways, he said, the country was the reciprocal of the US. It had:

●No budget deficit;

●A foreign debt which had declined in the past two years;

●A forecast trade surplus this year of US$ 6bn;

●Little foreign involvement in its stock exchange;

●Nationals who were not allowed to invest elsewhere;

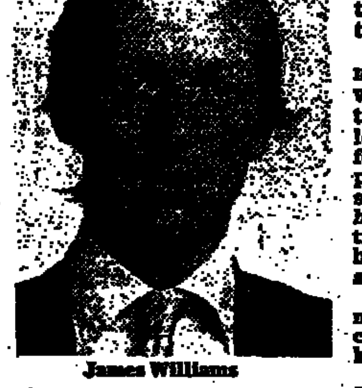
●A p/e ratio of 8.

The country was South Korea and the market was Seoul. It allowed Mr Bolsover to say that the US budget deficit had been pushed under the carpet *for far too long.*

His colleague Stephen Cutler, just in from Boston, agreed - up to a point. The US budget deficit of $152bn forecast for this year - against $148bn last year and an "out of control" $220bn before that - needed to be cut and would be, he declared. President Reagan would raise taxes through "loophole closures."

For Wall Street crystal ball gazers Mr Cutler offered snapshots of the market as it was on August 17, when the Dow was at 2700, and October 19, when it was at 1738.

Over that period, he said, the market had moved from high earnings expectations to fears


James Williams

of recession, undermining earlier estimates. Baring's asset allocation model, which had shown cash as a more attractive home for funds than stocks or bonds in August, had moved into neutral after declines in interest rates and stock prices.

The mood had moved from complacency and greed to fear and depression; but Mr Cutler maintained that the US market is cheap relative to book value, earnings, cash flow and yields, that the US trade deficit is 3 per cent of GNP and improving, and that it will become less of a factor in future.

Baring First Europe Trust manager Crispin Odey said investors should be looking at national economies which were less dependent on US growth for their own vigour and less dependent on *foreign* capital. He said their stockmarkets should *have strong financial* institutions and banks, which directed him towards the West German and Swiss markets.

Mr Odey's corporate investment targets would be non-cyclical, with clear strategies and known management.

On Tokyo, Baring put up *James Williams who has a dozen* years' experience of Japanese portfolio investment. He is not optimistic about the Japanese picking up the pieces of various western markets; he is more interested in the stimulation of Japan's internal economy.

This, he said, has prompted Baring to make large portfolio adjustments in Japan towards manufacturing companies, where they estimate profits will rise by 50 to 60 per cent over the next two years.

Mr Williams was particularly phlegmatic on the forthcoming $30bn sale by the Japanese government of the second tranche of NTT shares. He said the institutions had built up 3½ times that figure in the call market to take care of the NTT issue.

Jonathan Compton, investment manager of *Barings'* Australia and Eastern trusts, dealt with the rest of the Pacific Basin, but managed a couple of generalisations on the way:

●It would be as insane to extrapolate the recent drops in international equity indices as it *would have* been to carry through the rising trend lines from earlier in the year;

●An inevitable shift of economic power would result from the crash. This would move to the non-Japanese Pacific Basin, which was experiencing an enormous rate of real economic growth. "Basket-case economies" like the Philippines should be left apart, he said.

These "highly dynamic trading economies" had a further characteristic in common; the earnings yield on all these markets is higher than in the crisis period of 1974, he said.

William Cochrane

Be wary about shares

THE STOCK Market crash has undoubtedly tarnished the glamour of equities in the eyes of many small investors.

Some brave individuals may think share prices have fallen so low that now is the time to buy. But many are likely to look for a safer haven for their savings; share prices can fall as well as rise the hard way.

It may not be exciting to put money with a building society, bank or National Savings, but the risks are miniscule by comparison. If you have decided to move into safer forms of investment, the question is which institution you should put your money into.

There is so much volatility in financial markets it is impossible to give an answer. Base rates fell by half a per cent to 9.5 per cent last week and there is a strong feeling that at least another half point cut is in the pipeline.

Much will depend on what happens in America. If interest rates are cut there to restore stock market confidence, there would be further downward pressure on rates in Britain. Rates may have *to rise to* restore confidence in the dollar, causing upward pressure on British rates, so savings rates could go up or down.

You would be better investing with a building society rather than a bank or National Savings. Rates offered by societies have been the best for most of this year. In the past week they have not adjusted their rates following the base rate cut, but many banks have lowered theirs.

If you had £10,000 to deposit and agreed to give three months notice before withdrawing it, you would be paid 8.16 per cent net of basic rate tax by Halifax. National Savings would pay 8.04 per cent, while Barclays would give only 8.625 per cent.

Whether this differential will continue remains an open question. Societies have been paying good rates up to now because they have had to. While the bull market in shares was in full swing this was the only way they could attract funds from small investors. Even then they could not get enough money to finance their mortgage lending.

The crash means societies are likely to be flush with funds. They have already benefitted from the failure of the BP flotation, expecting a massive outflow of funds but actually experiencing a healthy inflow. The dynamics of the savings market seem certain to change over the next few months, with societies not having to work so hard to raise money. This would tend to depress the rates they pay savers.

They are also likely to become more aggressive in the mortgage market. Abbey National general manager John Bayliss said the society's strategy was to drive down the margin between Libor, the benchmark interest rate in the money markets, and the mortgage rate to make it more difficult for competitors.

Abbey wants to boost its share of the home loans market and would be prepared to cut its mortgage rate to achieve this. The same is true of Halifax, the Largest building society.

No large lender has yet moved its mortgage rate, but if base rates fall any further, mortgage rates are almost certain to drop. Building society savings rates would follow.

The key question with National Savings is whether the Government's borrowing strategy will change. This year tax revenue and privatisation receipts *have been buoyant, so the Gov*ernment has needed to raise little money from small investors. It has been paying poor rates on National Savings as a result.

The crash may change this. There is likely to be lower economic growth next year, which will be depressing for Government revenue. And following the BP debacle the privatisation programme has been thrown into question. National Savings could play a more im-


John Bayliss

portant role in Government financing as a result, making its rates more competitive.

The rates banks pay are likely to continue moving in line with base rates. If societies reduce their rates further than any fall in base rates, banks are likely to become more competitive.

In the long run it is unlikely societies will continue to be such a clear choice for people *who want a safe haven for their* cash. But you will still be better off saving with them in the short run.

Hugo Dixon

Legal Notice

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
No. 005142 of 1987
IN THE MATTER OF PARRISH PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 2nd October 1987 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company.

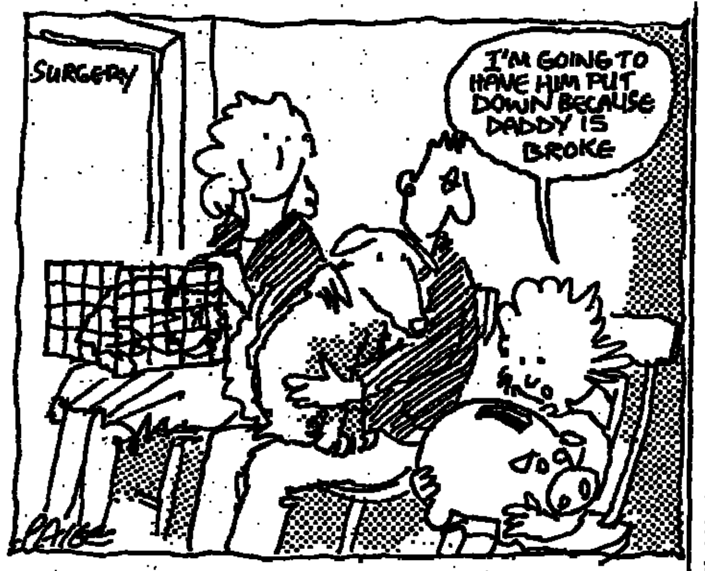
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Gibson at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 9th day of November 1987.

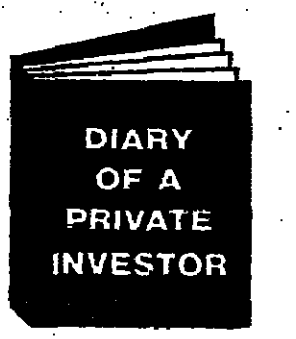
ANY Creditor or Shareholder desiring to oppose the making of an Order for the confirmation of the said cancellation of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 23rd day of October 1987.
Clifford Chance,
Blackfriars House,
19 New Bridge Street,
London EC4V 6BY
Solicitors for the Company

Piggies save their bacon





IN THESE turbulent times I have become an addict of Channel 4's 'Business Daily' programme, every week day at noon.

Last week my daughter Kimberley, who is almost three, saw me watching that programme and asked me: 'Have I lost money too?'

I explained that her unit trust investments had gone down but eventually they would go up again. Now was not the time to sell.

Then I realised that I was sounding like many of the representatives of City institutions who have been quoted in the press and on TV. Last week they were urging small investors not to sell.

I suspect some of them said that only to prevent people from worrying too much. While I was telling my daughter everything was all right, I was further reducing my own stock market holdings. Perhaps some fund managers have been doing the same.

However, frankness is the best policy so later I explained to my daughter that though I had sold shares and unit trusts this was because I wanted to make sure I came out of such investments with good profits, and I needed such profits to reinvest to add to my income.

My daughter's unit trust holdings were to provide her with some extra money when she goes to university in fourteen years time. That was the difference. I need investment income and profits now - my daughter needs money in the future.

Also, not all my investments have gone down. My investment in Rothschild's Old Court managed currency fund has actually shown an increase in value while the world's stock market plunged. With the US dollar likely to fall still further and with even greater fluctuations in worldwide exchange rates probable, the expertise of Rothschilds in buying and selling currencies should hopefully continue to make this a profitable investment.

My shareholdings in small British companies have generally not experienced the 20 per cent or more falls suffered by some large companies, and most of them are still considerably above their purchase price. I am therefore reluctant to sell them as it might prove impossible, due to their low capitalisations, to buy them back again should the market look as if it is ready to rise steeply again.

In a way, this is disappointing. Had some of them suffered more dramatic falls in price I would have used some of my "cash pile" to add to my holdings since they are basically sound businesses.

Although takeover activity of large companies may have temporarily been reduced, small "shell" companies could prove even more attractive takeover targets. They may well appeal to businesses wanting to reverse into them and thus acquire an immediate stock market quotation rather than having to wait until the stock market recovers and is willing to allow them a successful flotation in their own right.

I also pointed out to my daughter how fortunate I was to have liquidated a large part of my share portfolio before the crash happened. I was particularly pleased that in July I had sold my holding in a Hong Kong unit trust for 180 per cent more than I had paid for it; and on October 15, I sold most of my shares in HK-TVB (a Hong Kong television company) for 125p each, having bought them in 1985 for 76p.

My "cash pile" will sit in a higher rate deposit account until suitable buying opportunities occur. I have not applied for BP shares.

At the end of all this Kimberley said: 'That's good, Daddy. You still have money. So I don't have to give you the money out of my NatWest pigs...'

Kevin Goldstein-Jackson

Mailing orders

THERE WAS one minor consolation amid the gloom for holders of Personal Equity Plans (PEPs) this week. Norman Lamont, financial secretary to the Treasury, announced that from January 1, PEP plan managers will have to send company reports and accounts only to investors who want them.

At present managers are obliged to provide them to all investors. But this is costly and difficult, with many companies refusing to supply extra copies or charging for them.

Most complaints come from investors who receive company reports and accounts they don't want. Under the PEPs legislation managers have had to provide reports and accounts to all holders as part of the Chancellor's ambition to encourage wider interest in shares.

Under the proposed regulations, managers of discretionary PEP plans, where the company makes the investment decisions, will be required only to supply reports and accounts on request. Instead managers will have to provide a six-monthly statement explaining why they have bought and sold particular shares.

From January 1 cash payments into PEPs can exceed the £2,400 top limit to take up rights issues or other entitlements. Leading PEP manager Barry Bateman, of Fidelity, welcomed the government's decision. He said: 'I'm glad they've seen reason; it was costly and time consuming and not appreciated by investors".

But he was dubious about calling up extra money for rights issues. It would be an "administrative nightmare" to seek a yes or no decision and a cheque from a lot of investors, he said, so Fidelity was unlikely to take advantage of the new concession.

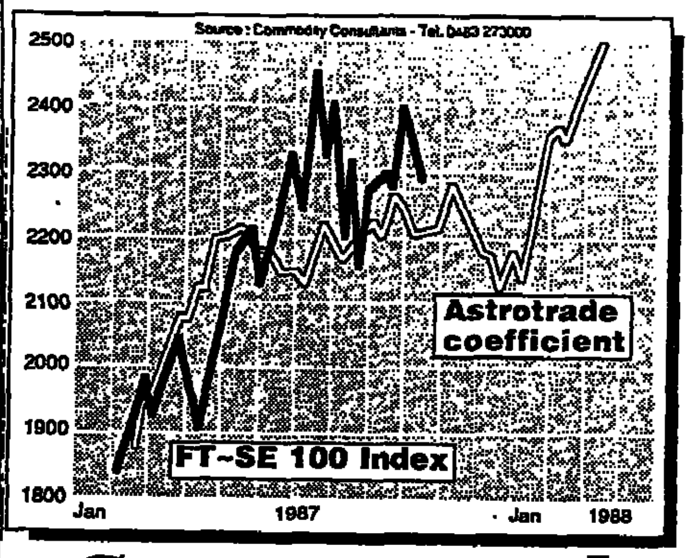
Lamont claimed that PEPs had made an encouraging start; since the beginning of the year almost 200,000 plans - almost 1,000 a day - had been taken out. But the expected surge in new plans being taken out before the end of the year seems unlikely.

The collapse in the UK stock market means that many PEP investors will suffer severe losses in the second half of the year that are likely to wipe out any gains made in the first half. PEPs have to perform well to provide a competitive return, in spite of the tax concessions. Many PEP portfolios contain just a few selected shares, which may have suffered a disastrous drop in value.

Restrictions in the PEP scheme mean that the fund managers have less room for manouevre. This year they have been entitled to keep the total cash investment, but in most cases they have been fully invested to take advantage of the higher return provided by the stock market...until the crash.

Some investors are tempted by a PEP plan because they are eager to invest in cash tax-free, or they expect the market to rally. But PEPs could provide a salutory lesson of the risks involved in share dealings.

J.E.



Star-crossed

Venus moved from Libra to Scorpio - and capitalism wobbled

AS A prophet of doom I find it difficult to admit I did not predict the extent of the market crash. The Astrotrade coefficients, an index of market strength based on computer analysis of stock exchange astrology, forecast a minor setback in prices. I expected to see the FTSE 100 index fall by about 150, not 650.

Much comment has been made about the similarity with 1929, but the real similarities are astrological. In 1929 Neptune was in an earth sign and Saturn was in Sagittarius as it is now, but the greatest similarity is yet to come. Market action does not depart from the predictive line for long and usually catches up.

This year they have correctly predicted the vigorous bull market, and even our 2,500 target was close. The main feature is the way targets have been overrun and our goal reached too soon. The ultimate high on July 16 coincided with the peak of the July coefficients. The largest breach in the prediction occurred with the fall, but the market action will probably return to the Astrotrade line.

The graph predicts a rally until mid November with further weakness until Christmas. Here the prediction departs from the belief that we have seen the last of the bull market; the coefficient graph rises strongly until March, and although 1988 is not as bullish as 1987 it is not bearish. But 1989 is a different story.

One indicator of a financial market event is the ingress or change of an important planet sign. On Saturday October 10 Venus changed from Libra to Scorpio under adverse circumstances, with the moon in opposition to Saturn the next day.

The first degrees of Scorpio are often occupied by planets during major financial events. The Big Bang and 1929 crash are examples. Mercury occupied 12 degrees Scorpio from October 12 to 14, the same as Mars during panic day on Wall Street in 1929 after the sun had made its ingress into Scorpio. Mercury's effect was amplified as it stopped and reversed into this degree from Monday 19 until Wednesday 21.

With Neptune in earth and Saturn in Sagittarius there were several similarities between both crashes. The main difference is that Uranus is also in Sagittarius. Uranus is individual and even perverse, and when we think the bull market is over, it springs a surprise.

When all similarities reach their peak an important catastrophe will make it obvious there cannot be another rally. Gold will rise strongly and the effect on major trading nations will be depressing. The political effects will be far-reaching, with controls on what are now considered to be free markets to suppress speculation. It will actually limit investment.

A strong wind has blown down a branch and reminded us that the whole tree is probably rotten. The gale I see coming in 1989 may destroy it.

David Pallant

CHESS

PROBABLY the most efficient way to improve chess skill is to acquire a knowledge of frequently recurring setpieces. An analogy is penalty or free kick situations in rugby or soccer, where players take up prearranged positions to exploit a statistically limited range of angles and opportunities likely to occur after the kick.

In chess, positions where one player has an isolated queen's pawn or a knight against an immobile bishop blocked by pawns can be learnt as efficiently as set openings. There are optimum attacking piece configurations behind the isolated pawn, and optimum entry squares for the superior knight to penetrate the opposing camp and capture pawns.

Chess setpiece techniques need not be complicated or hard to understand. In a sense everybody, from the humblest novice, uses them. The infamous Scholars Mate (1 P-k4, P-K4; 2 B-B4, B-B4; 3 Q-R5, N-KB3?? 4 QxP mate) and knight forks of the enemy king and queen are both elementary setpieces. They are one of a kind with more advanced techniques in that they rely on a generalised error likely to recur in many games.

The setpiece below from the 1983 US Open is based on a concept familiar to experts but not widely known in club and amateur chess. The theme is that it is dangerous to develop the queen's bishop at KN5, pinning the opposing king's knight, before the opposing king has castled.

At the least, such a bishop will have to be exchanged for a knight, or lose time by a retreat back to its own territory.In practice, the bishop player often tries to maintain his pin and finds his piece harried by an advancing force of pawns and knight.

The premature bishop pin is most risky when the pinner has himself castled, for the counter-attack can easily lead to a decisive checkmate assault.

White: T.Pellant, Black: J.Szmetan. Four Knights (US Open 1983) 1 P-K4, N-KB3; 2 N-QB3; 3 N-B3, N-B3; 4 B-N5, N-Q5; 5 O-O, B-B4; 6 P-Q3, P-B3; 7 B-R4, P-Q3; 8 NxN, BxN; 9 N-K2, B-N3; 10 B-KN5?

White's play (6 P-Q3) has been passive, but he could stay in the game by 10 P-QB3 followed by P-Q4 gaining central ground. Instead the bishop embarks on a disastrous journey.

10 ... P-KR3; 11 B-R4, P-KN4! 12 B-KN3, P-KR4.

Black's setpiece takes shape. The threat P-R5 obliges White to weaken his king's defensive pawn barrier.

13 P-KR4, N-R2! (forcing the reply, which opens two files for Black's attack) 14 PxP, NxP; 15 K-R1? (he should try 15 P-Q4) P-R5; 16 B-R2, P-R6; 17 P-KN3, N-B6.

"Poor bishop!" says the tournament bulletin. The threat is B-KN5 and N-Q5, winning material.

18 P-Q4, B-N5; 19 Q-Q3, PxP.

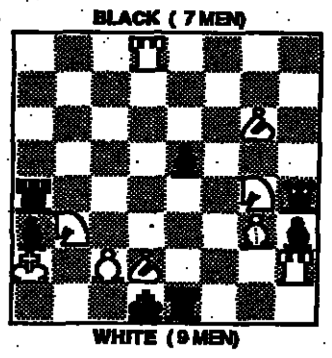
Now Black plans N-K4, B-B6 ch, B-N7 and N-B6 mate, so White, a pawn down, has to exchange into a lost endgame.

20 N-N1, Q-B3; 21 NxN, QxN ch; 22 QxQ, BxQ ch; 23 K-N1, O-O 24 B-N3, R-R2; 25 Resigns. Black will win another pawn after 25 KR-K1, R-K1; while for practical purposes White is a bishop down.

Karpov regained the lead at the world chess championship in Seville with a 38-move win in game five. Kasparov again spent too long on the opening, was left with a minute for seven moves, and missed Karpov's sudden attack which won a rook.

PROBLEM No. 695

BLACK (7 MEN)



WHITE (9 MEN)

White mates in two moves, against any defence (by C. Mansfield, 1930). A little known problem by Britain's best ever composer, with a surprise key and unusual mates.

Solution Page XXIII

Leonard Barden

Junked in the mail

Is it legally permissible to send out a rights issue allotment letter in the same envelope as the announcement to shareholders of the issue, before the meeting authorising it?

This is what one investment company did in September, but my allotment letter was not in the envelope. I do not normally read these lengthy booklets and in this case the front cover told me all I needed to know.

A few weeks later when no allotment letter had arrived, I read the booklet and discovered the company can't do anything about it and that I have had my cash for the sale of rights. I had banked it thinking it was a dividend! These days there's no time to read through things you feel can be taken for granted.

What you describe is legal - although it may not be good practice if the existence of the allotment letter is not conspicuously mentioned in the notice calling the meeting, or in a covering letter.

Obstructed by police

I was recently asked by the police for my name, address and date of birth for taking photos on a quay. He asked if I had considered the implications of the Public Order Act 1984. He suggested I ask permission to photograph a gypsy's hut and implied some people do not like being photographed at work! The gypsy presumably had complained of harrassment.

What can an amateur who exhibits his work photograph, without being told he is breaking the law? What are my rights?

The policeman was being over-zealous. But there are hazards for amateur and professional photographers in that "catch-all" statutes like the Public Order Act 1986, the Metropolitan Police Act 1839, the Metropolitan Streets Act 1867 and some local by-laws could be invoked to justify an attempt to move or charge you. For example, strictly speaking a highway is available for the public to pass along, not to stop on, so you could be accused of causing an obstruction if you stopped to photograph something or someone, and being a nuisance if you caused a crowd to gather.

Director with no say

Until September this year I was a director of a small company. Despite my fiduciary responsibilities I was unable to obtain from the company auditors or accountants, or from the company secretary, full financial details of the company's affairs.

I have written to the Registrar of Companies asking for help, as I still wish to know, even retrospectively, what is going on, to be satisfied that my responsibilities as a director have been properly carried out, but I have had no help. Is he responsible, or his there some other person or body to whom I can turn?

The Registrar is not empowered to help you beyond maintaining a register of the company's annual returns and other particulars which you are entitled to inspect for a fee. If you are dissatisfied with the running of the company you should consult a solicitor.

Whose furniture?

My grandparents' furniture (personal chattels) was left in her will by one aunt to another "with the wish that the articles which belonged to my parents should be divided by her amongst my nieces and nephews ...." The bank acting as executor had the furniture, which included some valuable china and paintings, valued, and experts estimate the value at £2,000. There is reason to suppose that my aunt preferred some of the nephews and nieces over others in the distribution of the chattels. No inventory was prepared for probate or inheritance tax. When asked why it had not prepared an inventory the bank said the clause in the will gave my aunt full disposal over the chattels and that an inventory therefore was not necessary. Is this the effect of the above clause and has the bank properly carried out its function as executer in failing to prepare an inventory and valuation of the chattels?

We think that the bank has not acted incorrectly if the aunt to whom the chattels were bequeathed did not require an inventory to be taken (and does not dispute that she has received all the relevant chattels - if she were to dispute it the only potential loser would be the bank). The expressed wish for division among the nieces and nephews has no binding effect on the legatee aunt.

Compelling purchase

A letter from a correspondent in Weekend FT, dated September 26, mentions advantages in purchasing property in conjunction with the Leasehold Reform Act. What are these advantages?

The advantages are that you can insist on a purchase, whether the freeholder wishes to sell or not; and in most cases the price is considerably less than might be obtained in the ordinary open market. By "marrying" the two interests you get an untrammelled freehold which has an enhanced value if you wish to sell. You have to fulfil the statutory preconditions to invoke the Leasehold Reform Act 1967.

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

I need my rate rebate

I have a relatively modest income from pensions and investments and live in a highly rated house long occupied by me. Additionally the poundage is among the highest in England.

The consequent total due has previously entitled me to a rate rebate, generally made for a 12-month period.

On the application form I have now received, however, it is noted that in addition to the "Interest from savings certificates" question (previously ignored after advice), there is an addition requiring details of "the amount of capital or money invested in any way", further stating that this is required for changes in regulations in 1988. (Rumour has it that capital in excess of £6,000 will invalidate any claim for a rate rebate).

Is this "rumour" true? Does the "amount of capital" question legally have to be answered at this date, or can it be ignored as with the "Interest from savings certificates" question previously? Where can one obtain factual information on what would appear to be a fundamental change which must affect possibly millions of people?

We suggest that you ignore the question as being anticipatory. We cannot say whether the rumour you have heard has any foundation. We suggest that you, and others concerned, write to the Department of the Environment for the further information you require.

BRIDGE

HUGH KELSEY has brought out another book in the Master Bridge Series, *Double Squeezes* (Gollancz £9.95). If you study the author's clear explanations, you will recognise these squeeze positions when they arise at the table, and fulfil your contract by operating the squeeze correctly.

We start with a little slam:

	N	
	♠ 7 6 4 ♥ A K 10 5 ♦ A K ♣ 9 6 5 2	
W ♠ Q 9 5 2 ♥ 7 4 ♦ 8 4 3 ♣ Q J 10 7		E ♠ J 8 3 ♥ Q J 8 6 2 ♦ 9 6 5 ♣ 8 4
	S ♠ A K 10 ♥ 9 3 ♦ Q J 10 7 2 ♣ A K 3	

South deals at game all, and bids one diamond, North replies with one heart, and South rebids two no trumps. North makes a try with four no trumps, which is rather ambitious, and South decides to bid six. West leads the club queen, and declarer takes stock. He has 11 top tricks, so to rectify the count for a possible squeeze he lets the queen hold. West switches to a heart, dummy wins with the ace, and cashes the two diamond honours. Declarer tests the clubs by cashing ace and king, but West has four. He then cashes two diamonds, to leave a five-card ending. West holds Q95 of spades, a heart, and the 10 of clubs, dummy has two spades, K10 of hearts, and 9 of clubs, while East holds J83 of spades and QJ of hearts. South, holding three spades, 9 of hearts, and 10 of diamonds, *leads the diamond 10.* West throws his heart without pain, dummy lets go a spade, but East feels the pressure and has to discard a spade. Now South plays a heart to the king, and West must throw a spade, and set up South's 10 for the 12th trick.

We end with a grand slam:

	N	
	♠ A Q 8 ♥ J 7 5 4 ♦ A 9 5 ♣ Q 6 2	
W ♠ J 10 9 6 ♥ 9 ♦ K 8 7 2 ♣ 10 8 5 3		E ♠ K 7 5 4 3 ♥ 6 ♦ Q 10 6 3 ♣ J 9 4
	S ♠ 2 ♥ A K Q 10 8 3 2 ♦ J 4 ♣ A K 7	

North opens with one (weak) no trump, and South introduces a *Gerber four clubs. North says* four spades, showing two aces, and South settles for *seven* hearts.

West leads the spade knave. How should South play?

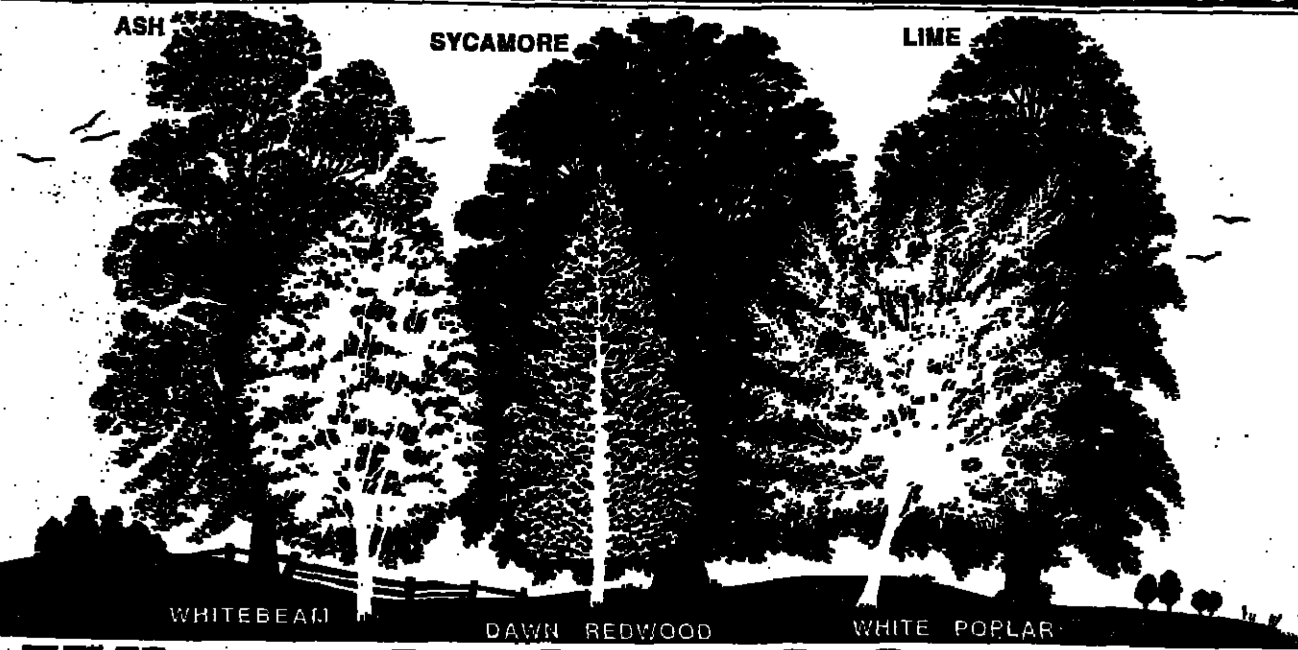
Declarer wins with dummy's ace, and seems to have an inescapable loser in diamonds. But provided that West has both 10 and 9 of spades, a double ruffing squeeze is possible. There is a split two card menace in diamonds, and the diamond ace and club queen provide the entries needed for the ending.

South runs six trumps, and cashes king and ace of clubs. In the four-card ending West has 109 of spades and K8 of diamonds, dummy has Q8 of spades, diamond ace and club queen, while East has K7 of spades, and Q10 of diamonds. The declarer crosses to the club queen. If either defender throws a spade, he can set up a trick by returning the right spade from dummy if both throw diamonds, the ace of diamonds is cashed, and declarer ruffs a spade, and the knave of diamonds is his 13th trick.

I can recommend this book - but read it slowly.

E.P.C.Cotter

Arthur Hellyer assesses the damage caused by the storm and starts to think about replanting



When the bough breaks

NOW THAT some of the mess caused by the great gale has been cleared up, one can begin to see how much damage has been done and think about replanting where necessary. Though I have lost some treasures in my garden a good deal of it can be spared and the place will be better for the thinning.

One danger in growing trees is that one is too enthusiastic at the outset, planting more than the garden can contain at maturity and delaying the necessary thinning until it is too late to do it safely. The gale resolved those doubts and hesitations in the most arbitrary way and I am already getting used to the gaps.

There will have to be some replanting to restore balance and ensure a wide range of trees. I am thinking of landscape trees; more exotic ornamentals can follow later. I read a plea in a newspaper daily for large scale planting of oaks and beeches. I have no objection to this if it is not done at the expense of other beautiful but less publicised trees that could be planted.

I would like to see more limes planted, most of which grow quickly and make the smooth rounded shapes that fit so well into the British landscape. I would also like to see landowners planting the silver pendant lime, one of the most beautiful of large deciduous trees, which grows to a great height but allows the branch ends to hang, revealing the rich green and silvery-grey leaves.

But there are other limes which could replace the elms largely destroyed long before the hurricane. What about the ash, one of the most English of trees guaranteed to grow fast and strong? I am glad to preserve seedlings wherever there is space, and it is one tree that has hardly been damaged by the gale. I also recommend the weeping ash which has one of the most completely arching habits of any tree, rivalling the weeping beech with its ability to bring its branches to the ground.

All the maples are fine trees. The much despised sycamore is also a maple and though it may not be a true native like the smaller field maple, it has been growing in England since Roman times and looks entirely at home in the landscape. Our forefathers valued it and used it splendidly in avenues. They also recognised its ability to stand salt laden wind and used it for windbreaks near the coast.

It is blamed for producing too many seedlings but these are easily destroyed with herbicides. I have never lost my childhood fascination for the spinning keys which distribute the seeds so well. A young sycamore can grow three or four feet each year, as can the Norway maple which is so decorative in flower and offers the brightest crimson foliage of any hardy tree in the Crimson King variety.

I like the sorbus family, a name that includes the very different rowans or mountain ashes, service trees and whitebeams. In the garden one can include all the Asiatic species with berries of exotic colours, but stick to the native breed, the common mountain ash and the whitebeam for landscape planting.

I would be happy to take selected forms, especially the lutescens and majestica whitebeams which are superior in leaf size and colour. Whitebeams love the chalk and will be useful in replanting the badly damaged north and south downs, but they will also grow well in other soils. What they dislike is poor drainage.

Another fine swift-growing tree that is silvery all over is the white poplar. Mine suffered badly from having large branches torn off. There are sufficient suckers around for replacements and some can be dug up and replanted elsewhere between now and the end of March.

Every larch tree in my garden fell down in the gale and they were the only ones to do structural damage. Dawn redwoods, of which the tallest now approaches the average larch height of 80 feet, rode out the storm without damage. Dawn redwoods grow even faster than larches, as much as four feet each year, and they are as light and feathery in foliage.

When the larch arrived in the early 17th century landowners seized it greedily, and for 350 years it has been planted so freely we no longer think of it as foreign. Though the Dawn redwood is one of the most ancient trees it is just over 40 years since it arrived in Britain. Perhaps it is time we gave it serious consideration for its landscape possibilities.

Time to replace bulbs

I HAVE just planted the last of my flower bulbs for next spring and I have made an experiment. I have not put them in bulb fibre and shut them in a dark cupboard. I have not built special beds nor filled bulb pans with grit and John Innes compost. I have put them in a very peculiar place, beneath a tree where the trunk and tree roots face south.

The tree roots are still underground. It may be that your tree roots are pointing skywards after the storm, and the idea of planting anything under them seems like a bad joke. You may also have had enough of planting for the moment and by the time you read this you may have no free funds to invest in some special fritillaries.

I am following the example of a great bulb grower, now dead, who knew more about bulbs' preferences than any gardener I have met. In his small Gloucestershire garden he raised the ground a few inches above the roots of storm-proof trees. He surfaced them with a light compost, strengthened with bonemeal and well-drained with sharp sand. He would then plant many of his best Mediterranean bulbs in the compost about a yard from the tree where the roots were still thick. He grew magnificent tulips on the sunny side of the trunk.

We struggle with the small wild tulips and their brilliant red flowers, losing about a quarter of the stock from year to year, yet telling ourselves the effort is worthwhile for the brief, bright interlude. Perhaps it is our investing mentality; but it shows our unawareness of what these wild flowers like.

They like to be very dry in summer after the leaves have died down. They must be well watered when they start growing, but never sitting in damp ground beneath a thick fog. They like the opposite of the English climate.

This observation set their expert grower thinking. He had seen cyclamen growing by the thousand beneath Greek pine trees. He had seen wild tulips in the roots of stunted oak trees on Turkish hillsides. He had even

seen fritillaries among the roots of tall plane trees in Western Iran. These bulbs liked to be dry and sharply drained, preferences which the tree roots guaranteed.

It worked well in his English garden. During the wet winter months the trees had lost their leaves so the rain reached the bulbs underneath. They flowered in spring, the tree leaves returned during May and the rain was then kept off the tulips during the summer, when they wished to be bone dry to prepare for next year's flower buds.

Ash trees, mulberries and catalpa trees were particularly suitable umbrellas. They were late-leafers, showing their green umbrellas only in mid to late May when the spring-flowering bulbs had nearly died down. Their roots were not too shallow and the ash tree grew upright, casting a light shade. Beneath them he grew superb aconites, scarlet *Tulipa linifolia*, crocusses of all kinds, Greek anemones, small eastern fritillaries and varieties of iris from Asia, including the *Iris bucharica*.

Contrary behaviour is often tomorrow's wisdom. Some wisdom is already proven. Many gardeners know hardy cyclamen will grow under dry hedges or between tree roots, but not why cyclamen like such places and whether other bulbs would agree.

Under a large magnolia tree I have chosen brilliant yellow crocus *ancyrensis*, from Turkey, which produces several flowers on each stem, a *Tulip Batalinii Bronze Charm*, one rather expensive *Anemone blanda Radar*, a magenta-flowered form I chose because its name coincides with the admirable character in the TV serial, the small narcissus Silver Chimes and a cream and green *Fritillaria verticillata*, because it has never been happy anywhere else.

If your tree has lost its upper branches, why not brighten it up with bulbs between the remaining roots? The dry, sunny side is not only a home for more periwinkle. But be sure to feed whatever you plant. The other half of my bulb-expert's practice was to feed heavily twice a year. He dressed the soil between the tree roots with bonemeal and sprayed the bulb leaves with a liquid feed between March and May.

When two sets of roots are competing, one will starve the other out. You have to be generous if you want a plant to perform in an unexpected place.

Robin Lane Fox

Edmund Penning Rowsell reports from Bordeaux

A difficult vintage

IT IS ALL too easy to make premature, facile assessments of each red wine vintage in Bordeaux, and pass over the 1987 clarets after an erratic year in the Gironde. The omens were not good until a few weeks before the picking.

January was exceptionally cold with a shortage of rain until the end of April. Normal rainfall and hours of sunshine in May resulted in excellent growth, but vine flowering was set back by a wet, sunless June, and many grapes failed to set *(coulure)* or to swell *(millerandage)*.

After a dry, sultry and partly cold, wet July, the August weather was mixed but not very hot. By September vintage prospects were poor - then came three weeks of the hottest weather Bordeaux has ever had, with temperatures reaching 37degs.C locally. The dry white wine vintage began on the 20th and was very successful. But in the Sauternes the rot has been grey rather than noble, and will not provide a good vintage.

Those who started red wine picking at the end of the month may have made the best wine, particularly on the right bank of the Dordogne where the earlier-ripening Merlot grape predominates. Petrus picked its compact 111/2 ha. on September 30 and October 1, while the larger Cheval-Blanc started on the 2nd and finished on the 13th. The strength there was so good it obviated *chaptalisation* (sugaring of the must).

One vintage proved the most difficult a Graves proprietor had experienced in 40 years, and large troupes of pickers were hired to bring in the crop as quickly as possible. Machine pickers worked up to 16 hours a day, and Petrus and Mouton Rothschild made vineyard history by employing helicopters to dry the vines in the early morning.

Vineyards at Trotanoy, Magdelaine and Fonroque, all owned by J.P. Moueix, received the same treatment, and the machines were employed for four days later in the month at Mouton-Rothschild.

There were problems with the later-ripening Cabernet-Sauvignon, the leading grape in the Medoc, and red Graves. There is usually a pause after the Merlot is picked, but this was difficult in a late vintage, with uncertain weather and intermittent rain almost every day after October 5.

The alcoholic strength was low everywhere: sometimes less

than 10 degrees and no more than 10.5. A good claret needs about 12, and though this can be achieved by *chaptalisation*, there should not be too much added sugar in the make-up.

Rain usually entails rotten grapes, but plenty of sound, healthy bunches came into the cuviers for fermentation. with none of the clouds of dust rising as the grapes were tipped into the hoppers that we have seen in the past. The soundness of the crop is attributed to modern spraying, to skins thickened by the September drought, and to cool weather.

The 1987 clarets should be sound but may lack backbone and acidity.The usual comparisons with previous vintages have been heard in Bordeaux: like the 1967s, light but agreeable for fairly early drinking, or the hard and ungenerous 1974s.

The 1987s should be superior to the initially under-rated 1980s and 1984s but assessment will not be realistic until the wines have been through winter and the subsequent assemblage (blending of each chateau's vats). A strict selection will be necessary for finer wines.

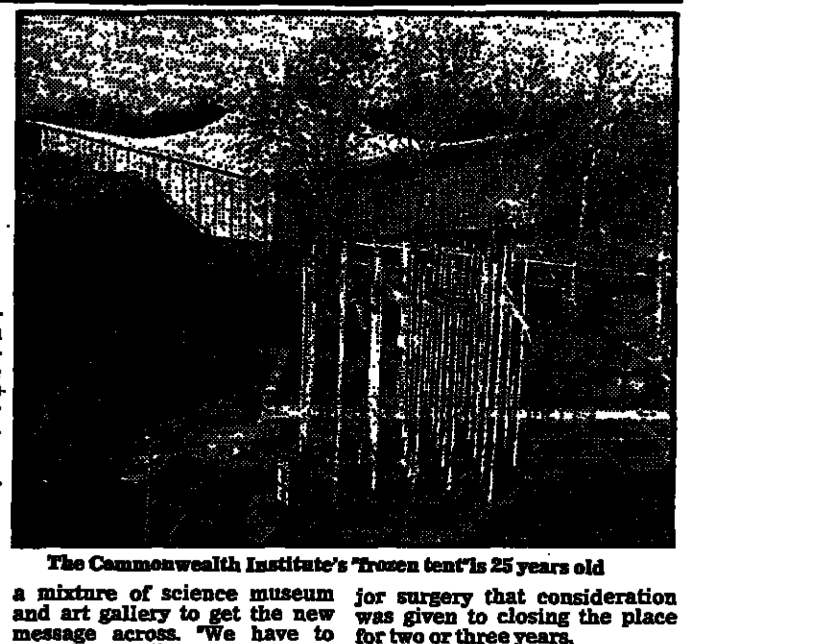
After so many good years this decade, few people outside the Gironde will be eager to buy another vintage, and price reductions of 20 per cent on the 1986 opening figures have been suggested by merchants. This would bring the first-growths down to about FFr.145 a bottle, too low for wines with a guaranteed market in all but disastrous vintages. It would bring the seconds down to about FFr.70 and other classed growths to less.

All this focuses attention on the 1986s that received a mixed welcome when offered earlier this year. Prices on the Bordeaux market - already more than 20 per cent higher than for the first-growths in early summer - should firm up for this good but tannic vintage, not to be missed by claret collectors.

I tasted a number of wines from first-growths to *crus bourgeois*, but in a region of thousands I cannot pretend these were all representative. Nearly all had good colour and powerful, sometimes aggressive, bouquets and strong flavours. The better wines combined these with plenty of somewhat masked fruit.

I compared many of them with the 1985s, most of which had been bottled only recently and were liable to bottle-sickness, giving a dead aroma and closed-up flavour. But it is generally a rounder, less astringent vintage than 1986, whose more important wines would be better in the cellars or reserves of younger claret amateurs.

Moving beyond Empire



The Commonwealth Institute's "frozen tent" is 25 years old

IMPERIAL Institute was supposed to be the people's Golden Jubilee present to the Queen-Empress. The notion of the Prince of Wales, it cost £413,000 in public subscription a century ago, part of the splendid Victorian ethic of popular education. The idea was to educate Britons in the ethnographic details of their empire and, perhaps more in the mood of Albert, promote commerce and industry within the empire, and identify mineral resources for British manufacturers. It was, after all, the British Empire.

A vast palace was built by Thomas Colcutt and opened six years later in South Kensington. Only the campanile tower remains, sticking out of the 1960s Imperial College of Science and Technology like a sore thumb.

On Friday the present Queen turns out to celebrate another jubilee, the silver one of the old Imperial's progeny a mile tothe west.

"The sun has come out and all Kensington with it" announced an Australian radio reporter on a wet and windy November 6 in 1962 when the Queen opened the Commonwealth Institute. Fifteen flags rattled atop their poles, chestnut leaves fluttered into ponds, and thousands squinted at the queer 'frozen tent' building with its green copper roof.

There were not many features about the old place discernible in the new one. The Imperial had tottered from being a kind of permanent World Fair, with the first motor show, to near bankruptcy with bits of the building hived off to accommodate parts of The Royal College of Art and Imperial College.

Fresh from a far from harmonious Commonwealth Heads of Government meeting, the Queen will be starting yet another transformation for the Institute next week, so fundamental as to need a change of name, probably to 'Commonwealth Place'.

"The overt objective in 1962 was to increase knowledge and understanding of the Commonwealth, which it still is, but it was assumed that it was for an audience based in Britain, and that audience was white British" said James Porter, the director.

"Now we are overtly for the whole Commonwealth - not an institution, not somewhere which is trying to tell you something, or direct you somewhere; it has to be a place you can come into without feeling diminished, full of things to do, become interested in, be caught by...it's got to be user-friendly."

The high-tech jargon is not accidental. On Friday an appeal for £5m is being launched and with it Porter intends to create a mixture of science museum and art gallery to get the new message across. "We have to drag the building into the 1990s" said Allen Cobbold, chief exhibitions officer. Away will go the flagpoles and leafy ponds to make a piazza: "We need to open upthe front to welcome people in" said Cobbold.

Now there are 49 Commonwealth members, creating an enraged forest of flagpoles on a blustery day; they represent 1,250 m people. The Institute has become the biggest Commonwealth organisation after the Commonwealth Secretariat ofthe Foreign Office itself. Its annual grant is about £3m, 70 per cent of which comes from the FO, the rest by shares from the member countries, all of which are represented on the Institute's Board of Governors.

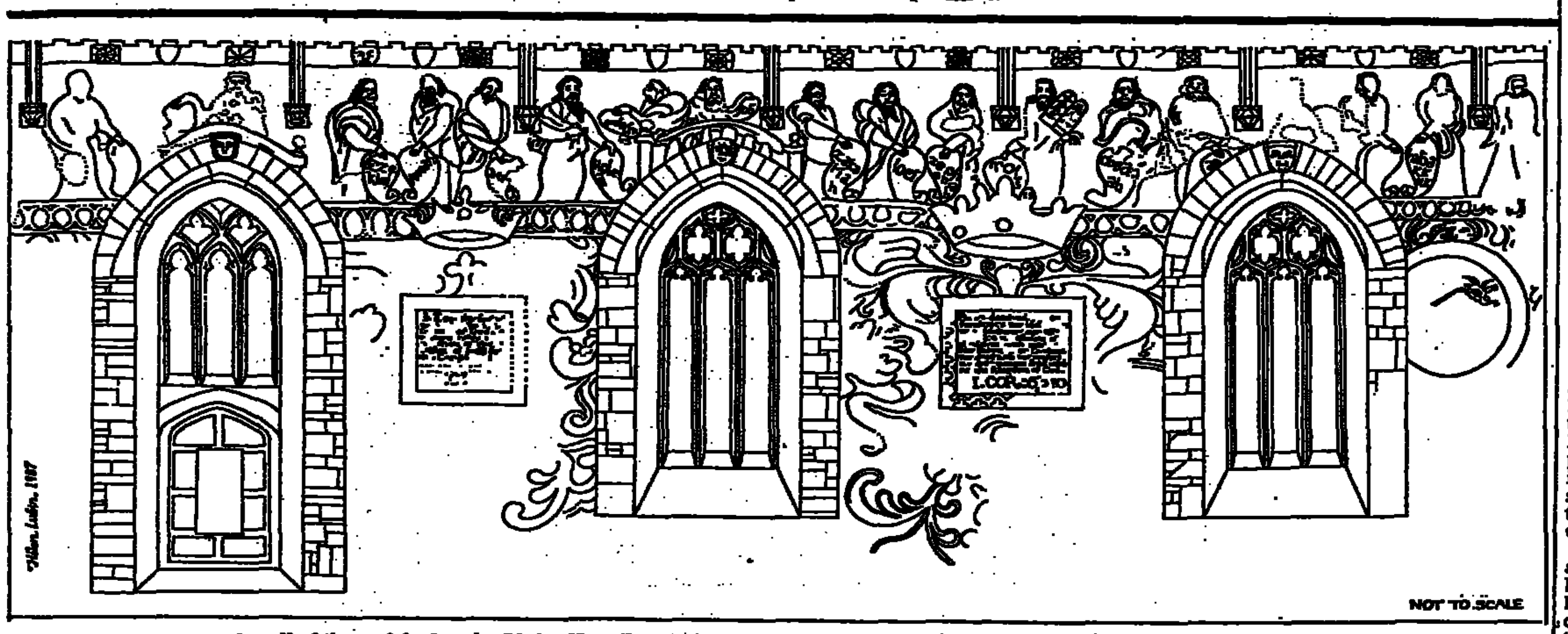
Last year a Government review examined fundamentals like aims, cost effectiveness, management structure, resources, the building - even whether it still had any point. Its conclusions, accepted in September, involved such major surgery that consideration was given to closing the place for two or three years.

"Many of our users would have been devastated" said Porter. "To put all our work with schools, artists and with our Commonwealth clients on hold would have been very difficult

"Internally we shall have the place finished by Easter 1990, but there will be cranes and work going on around the site for seven or eight years as development continues."

There will be a new emphasis on commerce, perhaps with a parade of shops selling the products of different member countries, including food and drink; there will be a stage for the Institute's own events and for hire; there will be space specially created to be used commercially; there will be a separate theatre/cinema, and negotiations are about to start for a giant Imax or Omnimax screen as used at La Villette and Bradford Museum of Film and Photography.

Simon Tait



North wall of the parish church of Saint Mary the Virgin at Bratton Clovelly, a light and airy building with a fine view of Dartmoor

How old is Devon?

A planned reservoir is good news for archaeologists, reports Gerald Cadogan

DOWN deep Devon lanes, almost in Cornwall, lurks an old country of small farms, cider presses, and walls of cob - dung, mud and straw - that will soon vanish beneath Roadford reservoir. Buildings will be flattened, 36,000 trees cut, hedges grubbed and everything scraped. To avoid pollution problems later, nothing will be left. Meanwhile, it is a unique chance for archaeologists to find out how this part of England came to be.

The pattern of scattered farms and hamlets and scarcity of larger villages is ancient, and typical of the south west. The opportunity is extraordinary, because the archaeologists can survey all existing buildings, mostly 18th and 19th century, and then remove them and dig underneath to see how many other buildings were there before. That is impossible on a working farm.

The diggers also have an odd bonus - 15 years' planning blight while the reservoir was argued. Should it be on Dartmoor, or off it? And how big? It is off Dartmoor,and on the river Wolf, and will hold eight million gallons.

The long debate meant that farmers did not bother to pull down old buildings, but just reroofed them in corrugated iron (as in West Virginia or the mountains of North Carolina). Nor did they put up the huge lambing barns that have made their mark on Exmoor. The change stopped in west Devon. Sabine Baring Gould, folklorist, cleric and poet of Onward Christian Soldiers, wrote about this country in 1887 in his novel Red Spider.

He remarks that the pattern of the land had not changed round Bratton Clovelly, the principal village, for fifty years. That now seems true back to the Middle Ages for the land and its families. The Seccombes began then at Seccombe Farm, where their ancestors remain.

Digging will test if the landscape was formed in mediaeval times, or earlier. Saxon? Or is it even Celtic? This is not a far-fetched idea since Saxon evidence is weak in west Devon. The key to the story is the farmsteads. They are the basic unit of west Devon, as of much of the south west. Dispersed off the roads down old sunken lanes, by the fords but above the flood line,they are often the shrunken remnants of hamlets with several dwellings. Hennard Mill seems typical.

In 1986 it was one house,the old corn mill house, and a dairy. But documents show two houses in 1900, five in 1845, seven in 1833 and nine in the 18th century. The houses were on terraces around a small green called the Town Place. All will be dug. So will some of the mill pond, which was fed by a leat one mile long, which created sufficient water to drive a fulling mill for making cloth.

The corn mill at the bottom of the hamlet is being dug now, on the principle of starting nearest the river in case the weather gets worse in winter. Channels for a double mill have been found, with the remains of a wooden wheel.Tree ring dating will fix it precisely.

How old is the Hennard hamlet? The first textual reference was made in 1613, but mediaeval pottery takes it far beyond the texts. The diggers have fair hopes that what is below the mill house and on the terraces may help prove the antiquity of the west Devon pattern of farming and living. They are tackling four other farmsteads in the Wolf valley to get a comprehensive picture. All are in similar positions by the river, and all will add to knowledge of vernacular architecture since they can be taken apart during study. That at West Wortha was first documented in 1320. That at Combe Park was demolished last year.

Combe Park of the early 18th century was the grandest house in the valley, figuring strongly in Red Spider: 'Coombe Park was a curse to them. It had blighted Charles...' (And so on. A good read.) Listed grade II, it was the oldest brick building in the west Devon countryside , with a fine facade added to humbler parts. At one time the owners, the Luxmores, reserved the front rooms if ever they should visit, while the tenant farmer kept behind and used the back stairs.

The digging team is from Exeter City Museums. The county archaeologists organised the work. It is partly funded by South West Water and English Heritage, the water authority proposing a matching grant scheme. Most money comes from the Manpower Services Commission, working through the Council for Christian Care (Devon).

The project includes library work on the documents, recording the reminiscences of the locals, and digging pits to collect evidence of the earlier environment. At the end the archaeologists plan to plough stretches, to see what is below a surface that has not been disturbed for many years. Work goes on until 1989, and the first water will be taken from the dam in 1990. At Hennard volunteers are needed who are not afraid of mud.

If you go, do not miss Bratton Clovelly church. It is a light and airy building with a fine view of Dartmoor from the porch. What is remarkable is a group of 17th century wall paintings, noticed in 1952 and partly revealed from beneath a thick grey lime wash in the last few years. In the north aisle Old Testament prophets look down, with bulbous red noses and bright eyes, as if by a rustic Frans Hals. Leafy swags beneath them are like 17th century wood carvings. In the south aisle are apostles and, at the east end, David slays Goliath,with the accompanying painted text: 'Who through faith subdued kingdoms, & turned to flight the armies of the aliens.'

Seventeenth century wall paintings are exceptionally rare, given the religious tumult of the times and the Cromwellian iconoclasm. Are these before or after the Civil War? The present feeling, since late 16th century armour is shown and the texts are from King James's Bible, is that they are about 1630. That dates them with the equally unmissable series of paintings of 1626-28 at Passenham, Northants.

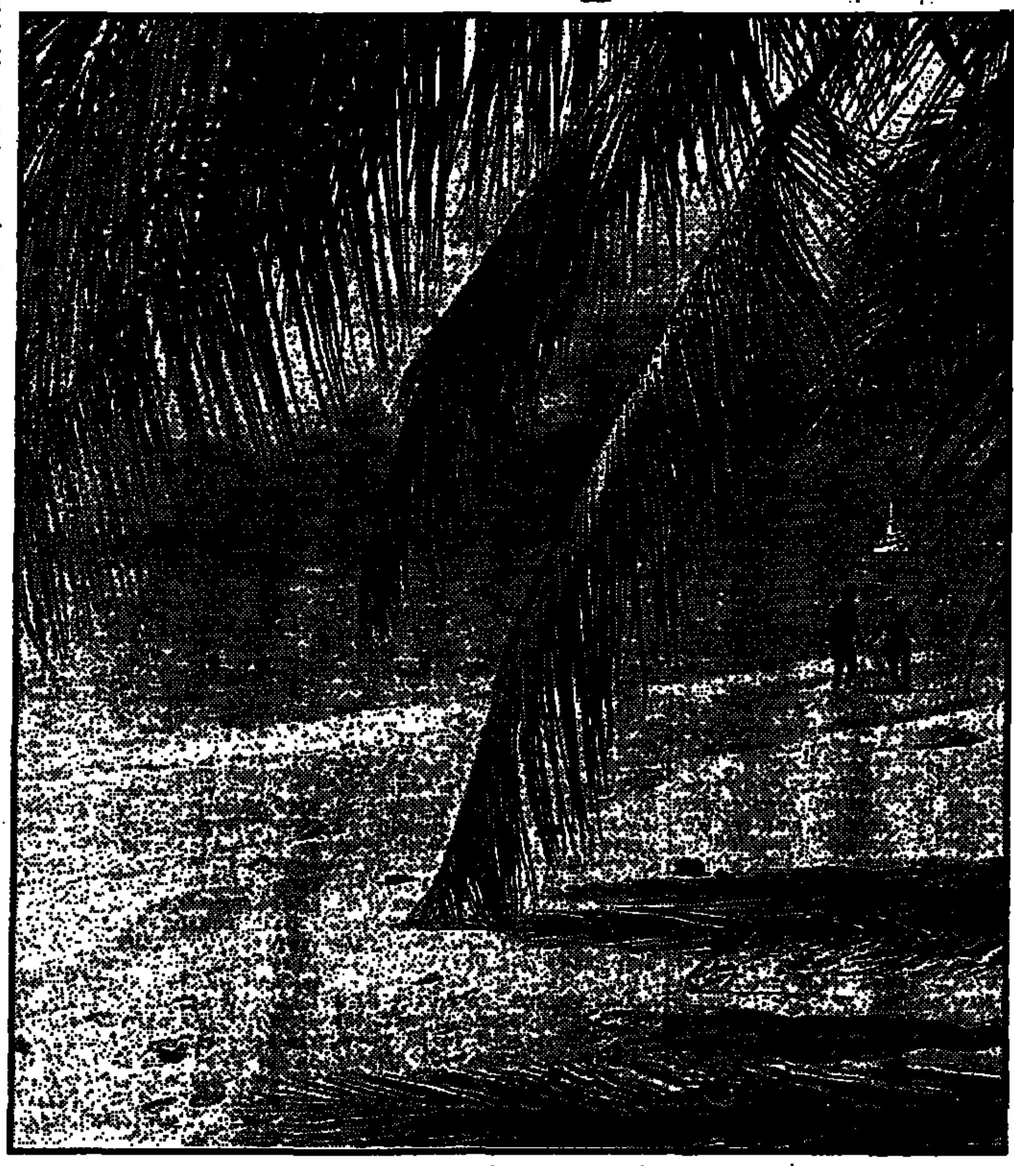
But there the prophets and evangelists are urban sophisticates, Venetian Late Cinquecento figures in niches with shellarches. At Bratton Clovelly more paintings wait to be uncovered, while there are hints of mediaeval paintings underneath them.

Down the damp lanes in the Wolf valley the search is on to find underneath the farmsteads the earliest traces of a life that seems to have continued for ever. By 1989 we shall know better when 'ever' began.

• TRAVEL • MOTORING •

As the weather grows colder **Annalena McAfee** scans the holiday brochures for sunspots

Winter escape route


The beauty of Barbados where all the days are palmy.

AS THE DAYS darken and the temperatures drop, those seeking refuge from British seasonal gloom by scanning the winter holiday brochures may find themselves echoing the conclusions of Ecclesiastes (Chapter 1, verse VIII), that "there is no new thing under the sun."

All the old favourites are there: the Caribbean islands promising castaway life by day and limbo dancing by night; their equivalent, minus the limbo dancing, in the Indian Ocean; the coastal resorts of Kenya; and the more packaged pleasures of the Canaries for the budget conscious. But those who like to combine their winter escapes with at least an illusion of discovery are often frustrated. Where, they wonder like London property developers, is the next "coming area" – or have they all been and gone?

Intrepid travellers tend to agree with Ecclesiastes. One senior travel writer is said to have thrown in his monogrammed towel when he claimed that there was no hotel lavatory left in the world that was not graced with a paper strip informing the user, in a variety of languages, that it had been "sanitised." Such intrepid travellers do not treat with brochures anyway.

Most of us, however, limited to a mid-winter fortnight of sunshine, tend to rely on package trips. Here, current directions tend to offer variations-on-a-theme rather than an opportunity to go boldly where no man has gone before. Apart from moves into areas more familiar to the backpacking brigade, travel companies tend to ring the changes by focussing on new hotels, new islands in familiar groups, extensions of established itineraries and improved transport connections.

This year Kuoni is offering direct flights from Gatwick to the Maldives, the cluster of 1,000 islands 400 miles southwest of the tip of India. About 200 of the islands are inhabited by fishermen and less than 50 used by tourists, with no more than one hotel per island. Beachcombing and watersports are the main attractions on these classic palm-fringed, cornflour-beached "desert islands". The flight, on a Monarch Airlines Boeing 757, takes 12 hours with a one hour stop for refuelling at Bahrain. Prices start at £710 per person for 14 nights. For those who wish to combine a beach holiday with more sophisticated city pleasures, a package giving two weeks in the Maldives followed by four nights in Singapore.

Companies are increasingly promoting two-centre or multi-destination packages by combining favourite resorts. Thus it is possible to combine one week of "no news, no shoes" sun, in say Goa, with a week of serious sightseeing, in Rajasthan perhaps.

Kuoni offers several multi-destination trips in the Far East including a five-day tour of Burma from Bangkok for £449 per person in a twin room. The cost of five nights in Bangkok starts at £586 per person, including flights with British Airways or Thai International. Sovereign's Worldwide brochure also combines Bangkok with Burma for a total cost of £1198. Kuoni's winter sun programme also includes 10 nights in Java and Bali, (five nights in each) from £998 per person. Tradewinds' brochure features a combination of Hong Kong, Bali and Bangkok from £1,314 for 19 nights. Silk Cut's Far Away brochure offers 19 days combining Borneo, Singapore, Kuala Lumpur, Malacca, the Malaysian beach resort of Kuantan, and the Taman Negara national park in Malay. Prices from £1,078.

Stuart Alderman's Best of the South Pacific Brochure gives details of packages to Tahiti, Tonga, Western Samoa, Fiji and the Solomon Islands. The company also organises trips to the Kiribati chain of islands, previously known as the Gilbert Islands, described as "beautiful, remote and suited only to the dedicated traveller". Recent political problems in Fiji have hit tourism hard there but for some potential visitors this could prove an attraction. Thirteen nights in Tahiti start from £1,800.

Those for whom winter sun does not necessarily spell sand, might consider Nepal where treks, from easy to arduous, in the beautiful lake district around Pokhara valley can be combined with a stay in fascinating Kathmandu. Wild-life enthusiasts can stay at Tiger Tops Jungle Lodge in the Royal Chitwan National Park, ride elephants and watch lion kills. Wings offers two escorted tours of India and Nepal combined, starting at £1,289 for 14 nights.

The Caribbean continues to be the number one destination for the more expensive winter sun breaks, while the Canary Islands remain the favourite for more budget conscious vacationers. Meon Travel offers a villa on the more unspoiled Canary Island of Fuerteventura from £169 per person in a party of four people. In the Caribbean, this year's variations year include two-centre holidays and new cruises. Bequia and St Barthelmy are offered for the first time this year by some companies (operators include CV Travel and Kuoni) and there are new cruises through the Grenadines and up the Orinoco. Caribbean Connection introduces two-centre holidays combining Bermuda and Orlando, Florida, for about £1,468 for 14 nights. The same company offers "cruise and stay" trips. A fortnight on the Cunard Countess, taking in St Lucia, Antigua, St Thomas, Puerto Rico, Caracas and Grenada starts from £850.

Nearer home, Caravela's winter Portugal brochure features a fly-drive package to the Azores, alomost completely overlooked by tourists until the Duke and Duchess of York honeymooned there, starting at £334 per person for eight nights.

In Africa, Abercrombie & Kent have launched new programmes to Rwanda and Eastern Zaire including the chance to track the reclusive silverback mountain gorilla. The seven-day safari, via Nairobi, costs from £1,498 per person. The company is also introducing a new luxury African camping safari "Kenya Under Canvas". Prices start at £1,680 per person for 13 days safari, with a supplement of £321 for an optional four days extra at Nyali Beach. Also new this year are desert safaris in The United Arab Emirates. Seven nights "Emirates Adventure" start from £774 per person.

The Africa Bound Holidays brochure includes safaris and treks in Zambia, Zimbabwe, Malawi and Botswana, as well as "flamingo trails" in Kenya. A 19-day trip taking in Zambia, Zimbabwe and Botswana, including safari drives, veld walks and opportunities to unwind at a lakeside hotel, starts from £1,649.

*Kuoni Travel,Dorking (0306) 88504; Sovereign, (01) 748-4495; Silk Cut Travel, Petersfield (0730) 65211; Stuart Alderman (01) 946-5155; Wings, Waltham (0992) 87277; Meon, Petersfield, (0730) 68411; CV Travel (01) 581-0851; Caravela,(01) 630-5223; Abercrombie & Kent, (01) 730-9600. Tradewinds (01) 731-8000; Africa Bound Holidays (01) 493-4388; Caribbean Connection (01) 631-4797.


A contender for Car of the Year 1988 is the Peugeot 405. The most powerful version, the 405 MI 16, will be on sale in Britain next year.

Citroen's supermini

WHO WILL win the Car of the Year contest for 1988? If it were down to sheer weight of numbers, it would be a Japanese walkover. They have six of the eight entries; yet the winner will almost certainly be one of the two Europeans.

The line-up is Citroen AX, Daihatsu Charade, Honda Prelude, Mazda 626, Mazda 929, Peugeot 405, Toyota Camry and Toyota Corolla. There are some notable absentees from the list selected by the organisers to put before the 57-member jury of European motoring writers. As I am not among them, I am free to comment.

Why, for example, is the BMW V12-engined 750i not among the runners? Because, say the organisers, it is not sufficiently different from the other 7-Series models - despite its highly advanced electronics which make it, among other things, the first production car not to have a mechanical link between accelerator pedal and the fuel injection system.

The Renault 21 Turbo is also missing and so are Honda's new Civics (apparently because not enough of them have yet reached the showrooms). Alfa Romeo's promising new front wheel-driven Tipo 164 saloon is excluded for the same reason. But at least the alleged 200 mph Ferrari F40 has not been included, either.

The enthusiast motoring press has been slavering over this thinly-disguised racing car for the mega-rich. I find the idea that it could reach the public highway in the hands of anyone but a highly-skilled driver, frightening indeed. But back to more sensible things.

The Citroen AX is a car that was designed by computers to be made cheaply by robots. It is a supermini, priced to undercut rivals like the Renault 5 and its stablemate, the Peugeot 205; and more than 4,500 have been sold in Britain so far.

Only three-door versions have been available but a five-door will be offered soon and so will an 85 horsepower, 112 mph (180 kmh) AX GT which is already on sale in France and will cost under £7,000 with right-hand drive. I think the AX will be chosen Car of the Year 1988, although not by a wide margin.

The Peugeot 405 is also an outstanding newcomer and could be first or second. So far, it has been seen only as a four-door saloon in European markets but it reaches Britain, Coventry-assembled, in January. Future versions will include a 16 valve-engined high-performance model with four-wheel drive, as well as diesels and estates. It looks elegant, rides most comfortably, handles tidily and is everything a family-cum-fleet saloon in the Sierra/Cavalier/Renault 21 class should be.

If the jury members do decide to let a Japanese car win, it must be the Honda Prelude. This two-litre, 16-valve luxury sporting coupe takes a significant leap forward in safety and convenience by offering buyers four-wheel steering for the first time, although Mazda's 626 with 4WS will be here by the spring.

In a 4WS Prelude, changing direction at speed is safer and parking in confined spaces much easier than in a similar car steered through the front wheels only.

Any of a trio of Japanese cars - Daihatsu Charade, Mazda 626 or Toyota Corolla could fill the next three places. The Charade is a mini- marvel, with a three-cylinder engine of just under one litre and a body that manages to combine agreeably curvy styling with good interior space. Most attention has been concentrated upon the GTi which has a 12-valve (four per cylinder) engine developing an astonishing 99 horsepower.

Mazda's 626 saloons, hatchbacks and coupe (this column, September 17) and the new Toyota Corollas are typical of the latest Japanese products. All have multi-valve cylinder heads. Their quiet and silken transmissions prove that five speeds, front-wheel drive and transverse engines do not have to go with notchy gearshifts.

The two remaining cars Mazda 929 and Toyota Camry, are rank outsiders in the Car of the Year contest. I have not tried the latest 929, which is not sold in Britain, and the Camry, in Japanese terms, is hardly the latest model. It was launched as long ago as January this year, whereas the Corolla made its debut late in the summer.

As I have observed before, Car of the Year juries have brought in some controversial - even perverse - verdicts in years gone by. It could happen again. But if I were making a book on the result, I would quote evens for the Citroen AX and Peugeot 405, 2-1 against the Honda Prelude and 3-1 against the Toyota Corolla.

The Daihatsu Charade would be 7-2 and the Mazda 626 4-1. The Mazda 929 and Toyota Camry, although I know the latter to be a pleasant vehicle, are no-hopers for Car of the Year

If I were a tipster, not a bookie, my nap selection would be the Citroen AX. The result will be known before the end of November.

Stuart Marshall

London Property

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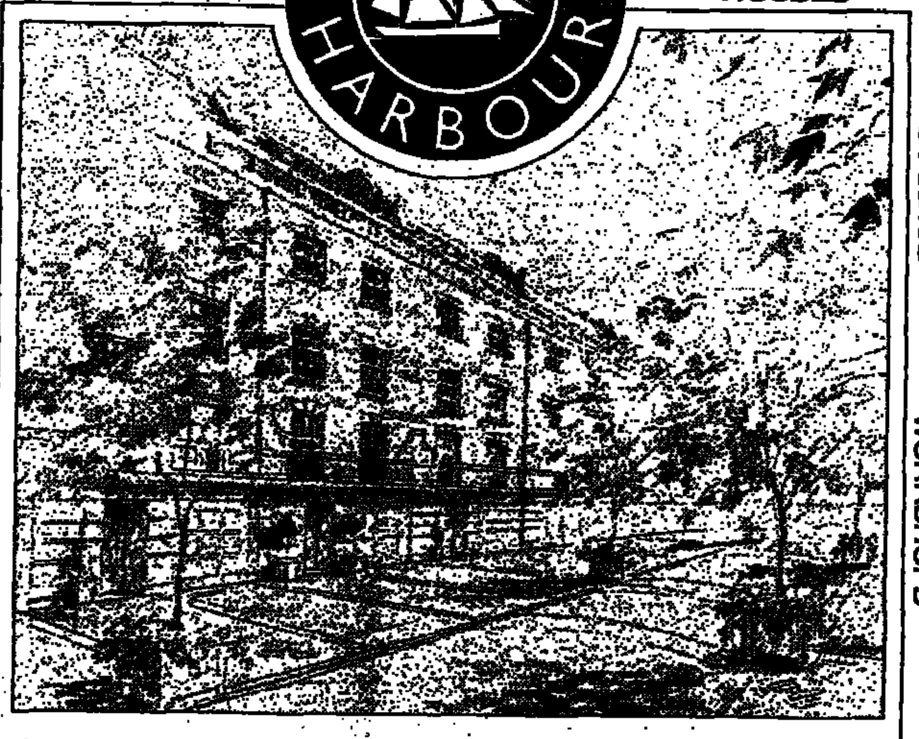

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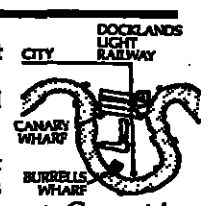

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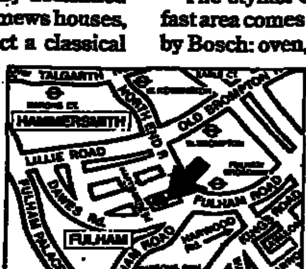

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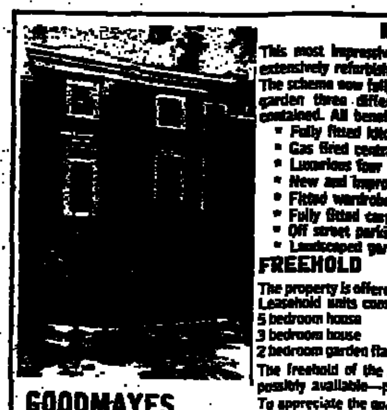

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John Brennan looks at removal services

HELPING PEOPLE to choose their new home is one of those odd jobs—like interior decoration, party planning and even flower arranging—that attracts a cast of "debbie" characters, all of whom seem to operate from Chelsea mews, all tending to make up in enthusiasm for what they lack in terms of formal agency training.

At another end of the scale there are the ferocious house hunters. Once again these are invariably women, only this time they tend to be of a "certain age" and of the "tough deb" variety; people who in another age woud have been found riding camels across some stretch of Empire to establish firm rules of behaviour for tea at the Residency, or organising fours for bridge deep in the jungle.

The Association of Relocation Agents (0235 851141) now represents over 140 of these advisers around the country. It acts as a free information exchange providing people who think they may need help in a move with a contact list of association members in their area.

The association also includes a number of the specialist companies in this field, including Merrill Lynch Relocations Management (01-629 8222).

Merrills and groups such as Homequity (01-935 1519) and Lloyds' Bank Black Horse Relocation Services (0753 859581) concentrate on corporate movers, ironing out the problems for businesses shifting staff across country or across frontiers by handling the mechanics of their move as well as providing varying degrees of help in selecting a home.

The removals group Pickfords is just about to step into that area of the market with the establishment of Pickfords Relocation Service under the direction of former Homequity man Jon Tams. The name Pickfords is pretty synonymous with home moving and so when I was first talking about the idea with them the only real question I raised was "Why haven't you done it before?"

Pickfords, part of the National Freight Corporation, already handles a lot of the physical moving work for companies and for their staff in Britain, and in more than a dozen other countries. A specialist home relocation service did seem to be a logical addition to its services, particularly since the UK market for company relocation work is still wide-open.

It is commonplace to call in the specialists when moving staff in the US, but in Britain, as Tams says, only around 10,000 staff moves are dealt with by relocation companies out of a total mobile population of company movers variously estimated at between 50,000 and 100,000 a year.

Toms says: "There is enormous scope, because it allows people at both ends of a move to get on with their work. It allows personnel departments to do their proper work and it allows people who are being moved to get on with their work without having to worry about the place they have left behind.

"I would think that someone doing their own move will be spending around 15 per cent of their working time hiking back and forth fiddling with the old house and dealing with the move into a new one, and 15 per cent of someone's time is expensive in salary costs. Fifteen per cent of their profit contribution could have a lot of noughts on it."

In Pickfords' case, paying to handle a move includes getting two independent valuations on an existing house, arranging its sale and looking after the place until it is sold as well as organising the move and advising on available properties at the other end of the move. Costs depend on the level of service required, but fees range around 4 per cent of the resale value of the existing home.

Pickfords (07936 19555) aims initially at company moves involving 10 or more people a year, although, as Tams says: "If someone like ICI turned up with a single person to be moved I think that we'd see that as fair reason to make an exception."

Between the inspired amateurs and the corporate relocators lie a growing number of professional specialist home moving businesses able to find homes for individual buyers. Most are agency offshoots, such as the sales teams working out of Hanover Druce's central London offices. Other variants on the theme are the increased area information services provided by sales staff as part of what is becoming a market-wide effort by estate agents to improve their client services.

Folkard & Hayward's recently introduced "painless move" service offers prospective customers the opportunity of discussing background information on schools, transport and other facilities in particular areas in far more detail than you would normally expect from a meeting with a sales negotiator.

That is not the same as a selection and buying service, but most agents will act for a buyer if asked to handle negotiations or to help in the selection of a range of properties.

Companies such as Christopher Wilson's home search business Wilson and Wilson (01-727 1977) is providing an up-market home finding service for people who are not necessarily looking in a specific area. They find country estates as well as town houses for clients all over Britain, helping to select areas and properties for people who do not relish the prospect of endless weekends touring around a long list of possible properties and who want to have their purchase negotiations handled by professionals.

Emily Anson Relocations (01-235 4560), named after its founder, operates in similar way in Central London. And what helps to distinguished Anson's Sloane Street business from the average Sloane Ranger home hunting operation is her background as rentals manager of Chestertons.

She says: "There are a great number of people operating businesses like this from home. But I'm not just a little girl who hasn't anything else to do. I do know the schools, I do know the lease terms on the major estates, I know the market because I've been working in it for a number of years."

For £300 fees and expenses in advance (that is deducted from a 1 per cent charge on the value of a property that has been found and bought) Anson clients get a "24 hour service." But by knowing the Central London market Anson expects to be able to find a place that clients will want to buy after detailed discussion about what they think they would like, and a very few viewings. "Most people know how much they want to spend, and they have pretty clear ideas about the size of place they need."

Anson has found that "they're all very edgy about the market as it has been so active, and as they haven't the time to be quite as knowledgable about it as they would like. They are keen to know that they are paying the right price for a place. Everyone asks 'can you get me a good deal,' but then they see somewhere and fall in love with it, and you find that you're having to stop people rushing in to pay too much."

Given a free choice, what would Anson regard as an ideal home to hunt?

"I think that you have to go for properties which have something distinctive about them, a great view, or a particularly good reception room, something that sets them apart ... but not too far apart so that they are difficult to resell."

As for areas, outside of the normal west central parts of London Anson thinks that Maida Vale houses are particularly good value at the moment, and she sees plenty to go for in Ealing, with its direct Tube links into the City.

Halfway home

FOLLOW the M1 up from London or take the line of the M40 extension from Oxford up into Warwickshire, Worcestershire and even into South Staffordshire and home buyers from the South East are beginning to meet increasing competition from Birmingham buyers as both travel away from their respective cities in search of country homes.

James Way of Knight Frank & Rutley's office at Stratford-upon-Avon reports that a third of the 400 people on his books now looking for homes in the area worth £200,000 or more are from the South East, and a third are from the Midlands.

"Only two years ago 20 per cent would have been from the south east and just 15 per cent from the Midlands." (The other third—just in case you thought that Mr Way adds friends and relations to his clients list to make up a nice round 400 applicants—are locals, plus a few overseas buyers drawn to Bard country or continental commuters using Birmingham International Airport.)

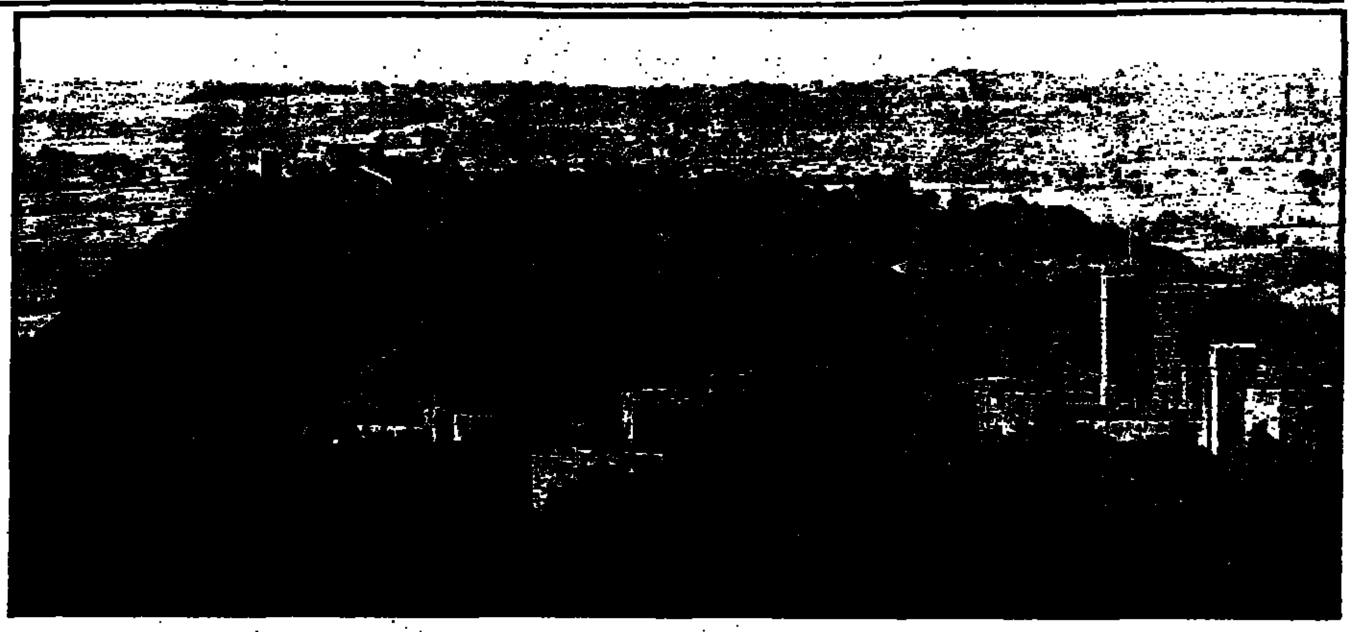
KF&R reports that five-bedroom period and modern executive homes with up to an acre of garden in the £250,000 to £450,000 price range form the most active part of the market now.

Hobby farming hasn't yet caught on in this area, from Warwick in the north, west to Henley in Arden, and south to Stratford.

But as suitably sized country homes become increasingly rare, Way expects that, just as in the south and south west, an increasing number of buyers will become willing to take on smallholdings of 100 acres or so to acquire a farmhouse.

He finds that buyers from London tend to move into the area with their families, but retain a pied-a-terre in the capital rather than try commuting every day, although the fast services from Rugby station are just 60 minutes from London and Stratford-upon-Avon rail link takes one hour and 50 minutes.

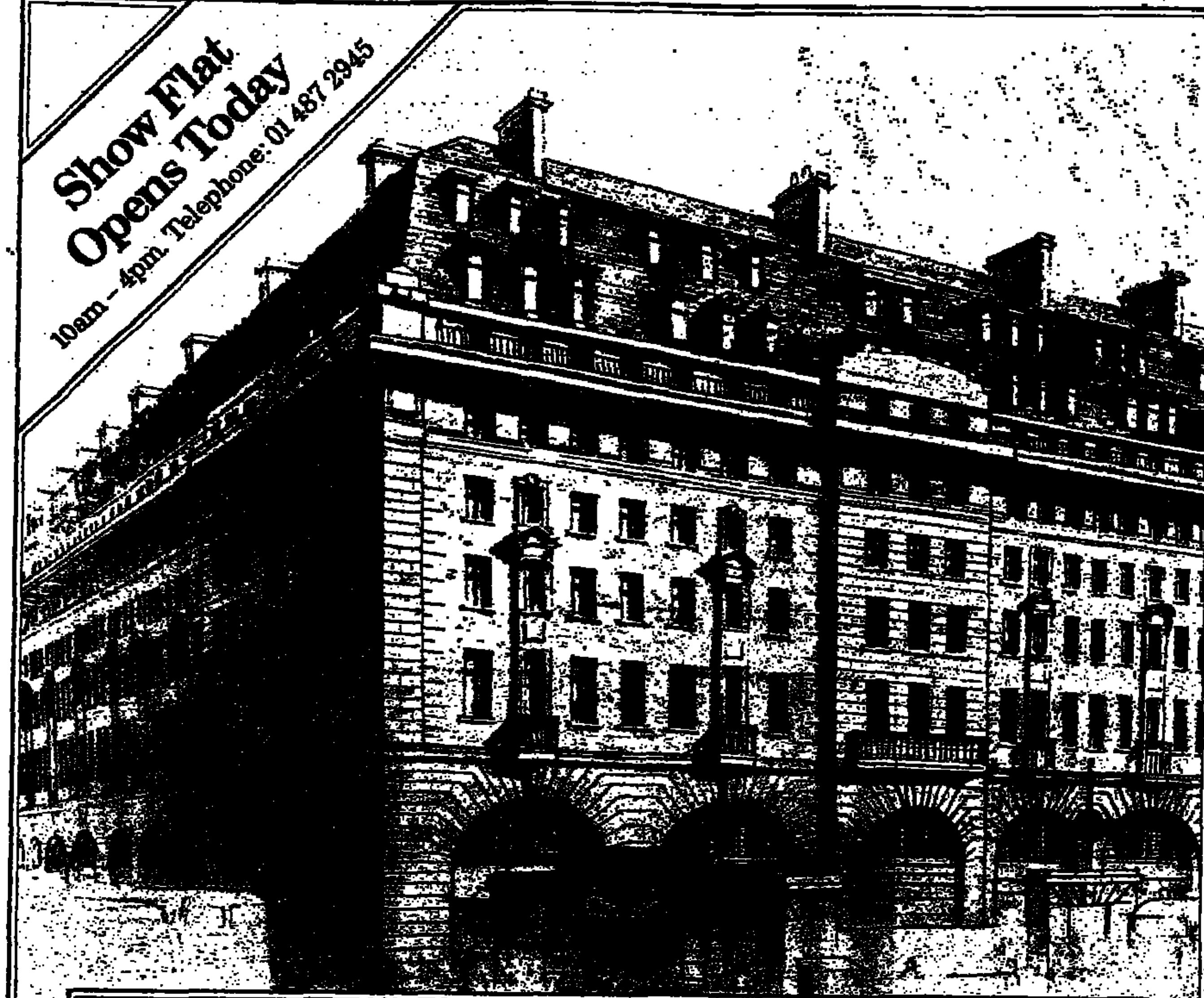
JB



YOU DON'T get too many chances to buy your own Victorian Gothic castle, and Peckforton Castle, built by Anthony Shaw for John, later Lord Tollemache between 1844 and 1851, is certainly one of the most spectacular of its kind. Described by Sir George Gilbert Scott as "the very height of masquerading," Peckforton Castle stands on the Cheshire hills 12 miles from Chester and a few hundred yards from the outcrop that holds the real castle of Beeston.

Listed Grade 1, and used in the past as a film set for Robin Hood, the building is now being offered for sale by tender by Strutt & Parker (01-629 7282) with a December 3 closing date. Planning consent has been granted to convert the buildings into an hotel, and the agents expect offers of over £1m.

London Property



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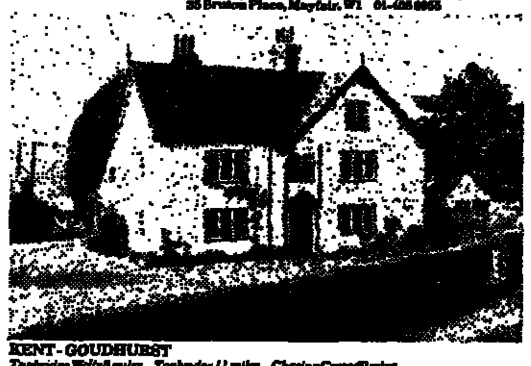

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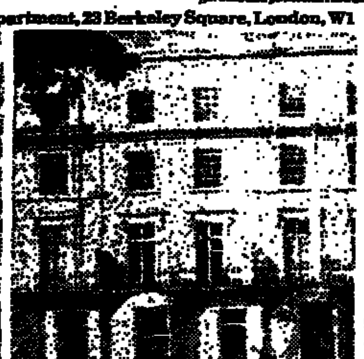

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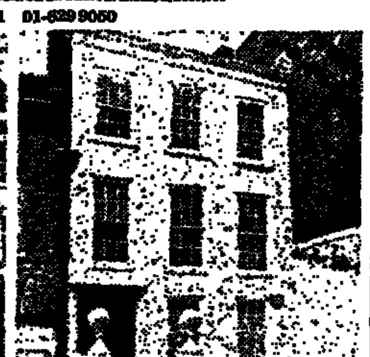

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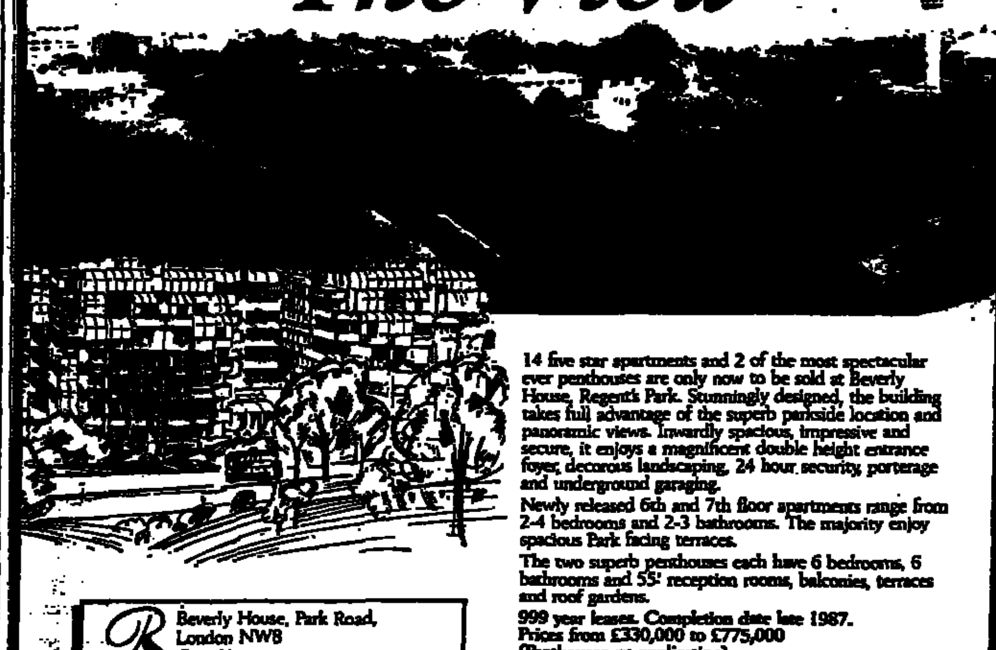

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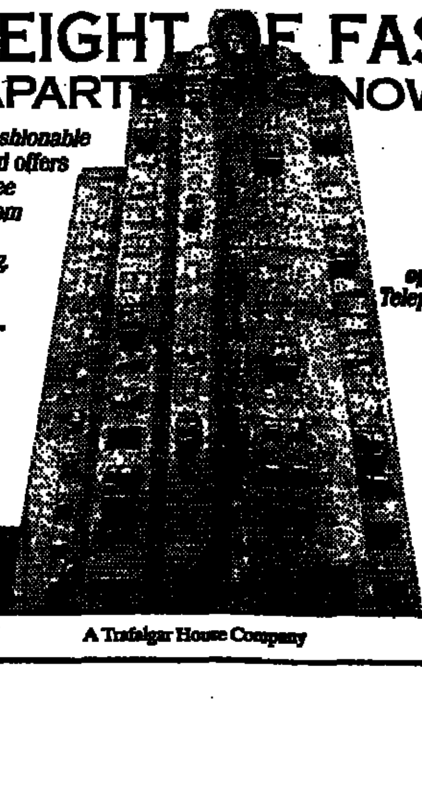

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Country Property

• PROPERTY •

John Brennan offers some advice on replacing fallen trees

When the wind blew. . . .

ONCE THE chain saws have finished slicing up the trees blown over by the recent hurricane, homeowners across the South East face the job of filling raw gaps in their gardens. If the winds happened to rid you of some 40-year-old monster of a sycamore that has been a plague to your lawn for years and blocked out much of your sunlight, then it may well have been an ill wind . . .

But most people will be in a replanting mood, and in that case the problem is finding out just how to plant what, where, and, as the Tree Council of Great Britain says, how "to get a proper tree surgeon or qualified tradesmen," and avoid, "the awful lot of cowboys who operate in this area."

The Tree Council recommends that, as a first step, it is usually worth having a word with the local council's tree officer, someone who is likely to be within the planning or parks and recreation department.

"Usually" in this case reflects the fact that it depends on individual councils whether it takes its trees seriously or not, and whether they do have someone who knows a Willow from a Redwood and who doesn't view merely trees as roadside obstacles that need hacking about now and again.

Assuming the "tree, or arboricultural officer" is more than a notional title, the Tree Council, which represents 33 different organisations concerned with just about every aspect of trees you can think of, reports that they are likely to be a good source of information about successful local and regional tree types, soil types, and all the other factors that go towards deciding what to plant.

The Arboricultural Association (0794 68717) is the body that keeps track of professionals in the tree trade, and so that's one way of sidetracking the cowboy builders with a chainsaw and a "hack it into submission" approach to tree surgery. Beyond that you're into Forestry Commission territory.

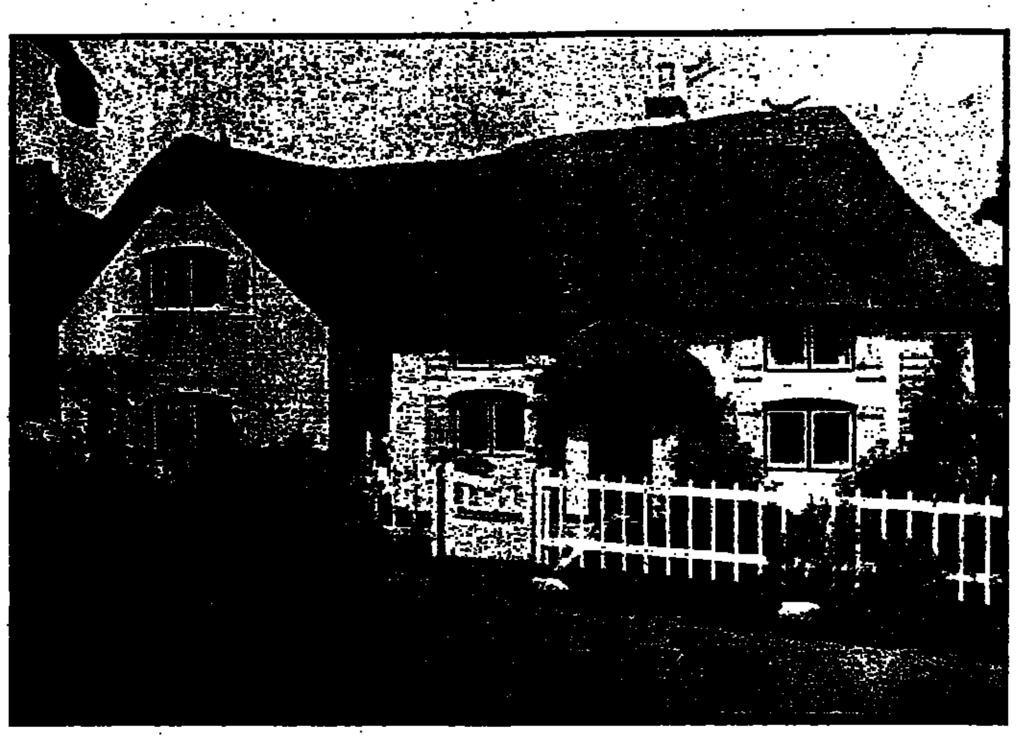
Although the commission's role limits it to commercial forestry, as the country's tree authority it does deal with everything from the vast northern forests to small woodlands. And for people with at least an acre of trees to deal with, the commission does act as the grant authority for a number of schemes aimed at planting bare land or restocking and rehabilitating currency unproductive woodlands.

The commission explains that all the grants it deals with presuppose that woods will be used for timber production. But with broadleaf plantings that's a long time in the future, and in the meantime, grants of between £630 and £1,200 a hectare—for conifer and broadleaf planting respectively—are available to owners (or tenants with owner's permission) who submit a satisfactory woodland plan, and have their local authority's planning permission to create or restock a wood.

The commission is to restore six fallen oaks for a currently denuded Sevenoaks in Kent. Otherwise, "The Commission wouldn't normally be involved in putting a few trees back in people's garden. We'd be lynched by local tree surgeons and garden centres if we did."

But owners with that minimum of one acre of wind ravaged trees, or with an oversized garden and a wish to help restore the South East's tree count, can get further information on the planting and rehabilitation grants and background notes on broadleaved woodland management from their regional office of the Forestry Commission.

No need to fret about thatch



"PEOPLE still have the strangest ideas about thatched roofs. They think that the insurance costs are going to be horrific, and there's all this business about things in the roof—mice and birds and rats and spiders and things that go bump in the night . . . its all nonsense, of course." Paul Stickley of Elliott & Green Nationwide's Lymington Office finds that there are still quite a number of homebuyers who shy off thatched properties despite the fact that insurance costs are only marginally higher than homes with slate roofs and modern thatch netting keeps unwelcome roof dwellers at bay.

"There are a lot of people who are worried about thatch, but apart from the fact that people in thatched houses don't have open fires roaring seven foot up their chimneys, and they don't light bonfires against their back walls, there's no real difference."

Some people's aversion to thatch could, of course, ease the competition for hirsute-roofed country homes. But in the New Forest area, where, as Stickley says, planning controls have now effectively blocked the traditional incoming buyers' habit of extending cottages into big family homes, demand exceeds supply so substantially that even a residual resistance to thatch leaves little scope for finding bargains.

"I would say that cottage prices have risen by around 25 per cent this year," says Stickley, whose office (0590-77222) has a classic example of a pre-planning restrictions extended cottage on its books in the form of the £275,000 Plumtree Cottage, near Sway in Hampshire.

The five-bedroom thatched house started life as a New Forest cob cottage in the 1760s. But a couple of thousand square feet of additions later, it's a full-scale family house set in three quarters of an acre of garden and ideal for anyone without thatchophobia and not, as Stickley warns, anyone too tall." It has all its beams in place, and it might be a problem for anyone over six foot one or so."

London Property

FINANCIAL TIMES
SURVEY

After the stock markets' dive, the unit trust industry faces a setback to expansion, particularly among small investors, says **John Edwards.** Important changes lie ahead, too, notably competition from the life companies, regulation in the UK, and new legislation from Europe.

CONTENTS

Unit Trusts

Into the unknown

IT WAS tremendous while the bull market lasted. But how easily can the unit trust industry cope with the problems of the world-wide equity market shakeout?

During the past year records have been chalked almost every month. The value of funds under management in unit trusts has jumped by some £20bn in the last 12 months to total over £50bn. New monthly sales recently have comfortably exceeded £1bn and the number of unit trust accounts has surged to some 4.5m from just over 3m a year ago.

No firm statistics are available, but it is estimated that the number of investors holding unit trust accounts has also risen substantially to over 1.75m.

There has meanwhile been a major increase in the number of unit trusts available. Hardly a week has passed without a new fund being launched. The 1,000 mark was breached early in the year and the total has now swelled to nearly 1,100. The number of unit trust management companies has surged as well, to around 150 different groups, so there is plethora of choice for investors.

Until the crash that began on October 19, it had all added up to a glowing picture of success, bearing in mind that only seven years ago there had been only 493 trusts, with less than £5bn under management.

The easy profits made on privatisation issues prior to BP have meant that more people have been eager to get into the stock market, unit trusts providing a very suitable method for them to do so without having specialised knowledge. The boom has also helped to attract less adventurous investors, who previously had preferred to keep their money in risk-free interest-bearing accounts in building societies and banks.

The constant comparisons by the unit trust groups of the very low return on building society accounts when compared with equity holdings has been beginning to tell. It is difficult to ignore the fact that, during the past five years, the average return from a Japanese unit trust has been 447 per cent, against only 36.8 per cent from a building society. (The unit trust calculation was made before the recent market crash, but the gain has been only slightly eroded). Nevertheless, the picture has changed radically.

Meanwhile, the entry of many powerful newcomers, notably the life assurance companies, has concentrated the campaign to win new, first-time, investors in unit trusts instead of merely encouraging existing holders to spend more.

Life companies have much bigger resources, and sales forces, to promote their products than have the traditional unit trust groups, and it seems inevitable that by the sheer weight of money they will emerge as the leaders of the industry. Prudential-Holborn, for example, has moved into 10th place in a very short space of time and the £8m spent on the Royal Event - an unheard amount to spend on a unit trust campaign - indicates the power of the life offices.

Royal Life may not have achieved its stated objective of attracting £300m, but it did get in a record £240m and over 135,000 investors, of which 60 per cent were going into a unit trust for the first time. Their timing, of course, turns out to have been distinctly unfortunate.

The failure to reach the £300m target was caused by the average investment of £1,780 being much less than anticipated, but it demonstrated that the campaign really did reach the small investor, who represents the biggest potential market. Whether this could prove counter-productive, in view of the immediate dive in the value of the funds, is a problem that the unit trust industry will have to brood over.

Big and medium-sized investors have to a large extent already decided whether or not they want to buy unit trusts. So it is those groups with the resources to reach the smaller investor, and handle their accounts profitably, who are likely to win the most new business in the years ahead. The traditional, specialist unit trust groups are therefore likely to come under increasing competitive pressure in an industry that is facing some of the most radical changes in its history.

The most immediate challenges will arise from the Financial Services Act, due to be implemented next year with the objective of improving investor protection. By a strange quirk, the new regulations it ushers in will allow unit trust salespeople to "cold call" potential clients for the first time in order to bring selling techniques into line with those for insurance products.

But there will be a 14-day cooling-off period, which could cause considerable problems to unit trust groups selling in this way. The new regulatory structure imposed by the Financial Services Act will also bring a lot of restrictions and extra costs that could make life very difficult.

Already the industry has fallen out with the Securities and Investment Board over its proposals for a new way of pricing unit trusts. The most contentious issue is the plan for forward pricing of unit trusts, aimed partly at preventing misuse of the manager's "box" of surplus units that should be used to smooth out fluctuations in the value of the fund, and partly at protecting existing unitholders who can suffer if new units are created at prices out of line with current market conditions.

The SIB claims that forward pricing works perfectly adequately in the US, but British unit trust groups say that the American market has a very different structure. Most mutual funds there are sold direct to the public by companies who are able to update prices on a hourly system, whereas in Britain the bulk of unit trusts, some 70 per cent, are retailed by intermediaries, including banks. In any event, they argue, there is as much, if not more, scope for fiddling on forward pricing than on the "box" system which is designed to protect the interests of existing unitholders. They say that buying forward at an unknown price will be anathema to UK investors. But their arguments have been rather dented by the pricing confusion which arose when the equity market suddenly collapsed in mid-October.

While the SIB might be forced to give way on the forward pricing proposal, there is no doubt that the unit trust groups will be subject to a lot more regulation and control than in the past. So far the industry has been controlled mainly by the Department of Trade and Industry directly, and has enjoyed a fairly cosy relationship. But the relationship has been successful too, when you consider that the unit trust industry has avoided some of the scandals that have marred the reputation of other sectors in the City.

But with the Government determined to show that it is serious about providing more protection for investors, there is no way that the unit trust industry can avoid being far more tightly regulated.

In any event, this was inevitable with the proposed harmonisation of unit trust legislation in the European Community, scheduled to take place at the end of 1989. The so-called Ucits (Undertakings for Collective Investments in Transferable Securities) legislation is supposed to open up the EC market to unit trust groups in all the member countries to compete on level terms, but there is a rider that the local country rules and regulations must be complied with as well. So it may be a long time before there is real competition within the Community, bearing in mind the very different local conditions.

Regulation aside, the short-term future of the industry now depends mainly on whether managers can pick up the pieces after the abrupt ending of the long stock market boom.

Fund managers, most of whom have never operated in a bear market, have always claimed that they would be better equipped nowadays to deal with a collapse as a result of the much greater spread of investments internationally and more sophisticated trading techniques.

That looks very unconvincing now, and the unit trust industry may be facing its biggest crisis of confidence since 1974. Seasoned investors know that the bear market rough has to be taken with the bull market smooth, but unit trust managers have lured in many first-time investors on the basis of glossily packaged performance claims.

Most such punters will not have paid too much attention to the routine warning that "shares can go down as well as up". The task for unit trust managers will be to prevent too many investors from rushing back into the safe havens of the building societies.

Another possible threat to unit trusts is that, in the forthcoming Budget, the Chancellor of the Exchequer may introduce tax reforms or measures that would promote wider share ownership in a different way. The abolition of capital gains tax would, for example, remove one of the major attractions of investing through unit trusts rather than directly in shares. Mr Lawson is known to be keen to promote direct ownership of shares for political reasons, so that the investor (and potential Tory voter) is much more closely involved in the capitalist economy.

But other new rules proposed by the Department of Trade and Industry could bring new opportunities. The scope of permitted unit trust products will be enlarged to include money market funds and other areas, like commodities and property, previously forbidden for onshore, authorised, trusts. There will be restrictions on how certain of the new products can be sold, and indeed many groups would like some of them to be classified separately so that high risk funds are not sold as unit trusts. But the more products you have to offer, the greater the potential sales.

In view of the damage suffered by their basic equity funds, unit trust groups may welcome the opportunity to diversify into new products. Otherwise, intensifying competition could bite much harder than it has in the recent lush years of the long bull market, which has come to such a spectacular conclusion.

The Financial Services Act

Protecting the investor

THE 1986 Financial Services Act, which comes into operation next year, introduces a new regulatory structure not only for the City but for the whole of the UK investment scene.

The underlying reason for it *is the protection of the investor.* The unit trust industry has operated for decades under the supervision of the Department of Trade and Industry. Unitholders have been well protected. Nevertheless, the industry has been caught up in the changes, possibly in a manner no one foresaw.

The Act establishes a self-regulatory system within a legal framework. The Securities and Investments Board (SIB) is the designated body to operate the Act, with five self-regulating organisations (SROs) covering all markets within the financial sector.

Any investment firm wishing to operate when the Act comes into effect must be authorised either by one of the SROs or direct by the SIB. However, those *firms operating within the unit* trust industry or connected with it will be involved in one way or another with the SIB and three of the SROs.

First, the SIB is taking over from the Department of Trade and Industry the responsibility for controlling the overall operations of the unit trust industry and the authorisation of individual trusts.

Next, the actual authorisation of the unit trust management firm will be the responsibility of the Investment Managers Regulatory Organisation (Imro) - a rather surprising situation. One could be forgiven for thinking that unit trust authorisation would be handled by another SRO - the Life Assurance and Unit Trust Regulatory Organisation (Lautro). However, this *SRO will be responsible for all* aspects of the marketing of unit trusts - advertising, direct sales and the thorny subject of commission payments to independent intermediaries.

Finally, the authorisation of those independent intermediaries who sell, manage or advise on unit trusts will be given by the Financial Intermediaries, Managers and Brokers Regulatory Organisation (Fimbra).

One could envisage bureaucratic problems dealing with different organisations. Fortunately, Imro and Lautro occupy adjacent offices in the same building - Centre Point, in the West End of London.

Unit trust groups are to be authorised by Imro because they are essentially investment management bodies, offering their services to the public. Imro is best placed to check the competence *and integrity of fund managers*, as well as the financial soundness of a firm.

The responsibility of the fund managers within a unit trust group rests with the chief executive, who may or may not be a fund manager himself. Imro will be looking at the whole amalgam of a firm - not just its executives - even though the chief executive accepts responsibility for all employees, including fund managers. Details of all fund managers will have to be given to Imro, which will want all contracts of employment of fund managers to be held centrally.

It is not clear at this stage how Imro will check comptence. With investment management, the proof of the pudding is in the eating. It is obvious that it will be *very much more difficult* to set up a new unit trust group unless it has the backing of a major financial institution. Any budding entrepreneur must have a fund management team in place to stand any chance of getting authorisation.

Expert fund managers are in short supply and highly mobile. The loss of two or three key fund managers can turn a group's overall investment performance upside down very quickly. Imro will be taking note of the movement of fund managers and the effect on a group's investment ability.

There is enough material on the marketing of unit trusts and the consequent regulations to fill a book, but the underlying philosophy is that of disclosure: the potential investor must be told everything about the investment product he is interested in.

The SIB tried to match this philosophy in its rule book, with the result that newspaper advertisements - an important marketing outlet for unit trusts - would have filled a broadsheet page, most of it explaining why investors should not buy the product.

Lautro, which is manned by practitioners, rather than civil servants, has produced a more understandable, workable set of regulations which would not stifle this marketing outlet.

But marketing is not solely confined to advertisements. The legislation allows life assurance and unit trust salesmen to sell these products by "cold-calling", the term used for unsolicited calls. No other investment products can be sold this way.

While cold-calling has been an important marketing outlet for life assurance for decades, it is a new venture for unit trusts. However, the Prudential has shown that its direct salesmen can sell successfully sell unit trusts door-to-door.

However, there is a battery of rules, known as a code of conduct, for cold-calling; and, for the first time in unit trust sales, investors have the opportunity to change their minds and get their money back (or most of it, if the market is falling) under the cooling-off procedures.

Another main concern of Lautro is the commission payments to intermediaries and the charges levied from investors. The unit trust groups have always been open on both these aspects.

However, under the legislation, independent intermediaries will have to disclose the actual amount of commission received - known as "harsh disclosure" - unless they are operating within an industry-agreed commission scale, when they simply disclose this feature - "soft disclosure".

Lautro has produced an industry scale, while at the same time harmonising payments between unit trusts and life bonds. The industry was successful in getting life companies to bring their commission payments on bonds down to the existing unit trust levels.

More intermediaries are now selling their clients unit trusts rather than life bonds, and this trend is likely to continue as the financial services legislation beings to bite. Best advice and know-your-customer are two essential elements in the dealings between intermediaries and their clients - and since, in most cases, unit trusts offer better returns than life bonds, because of the tax position, then best advice would require intermediaries to recommend trusts.

How Fimbra will intrepret best advice as far as it affects the independent intermediary remains to be seen. To date, Fimbra has been mainly concerned with sorting out the financial aspects of fee levels for intermediaries.

Fimbra has defined four categories of independent intermediary, related to size and degree of involvement with clients' money, with the aim of not overcharging the small independent who does not handle clients' money.

Now it needs to get down to guidance on how intermediaries should choose between life companies and unit trust groups, and between various types of trusts.

As far as unit trusts are concerned, this is likely to involve intermediaries ensuring that their clients understand the nature of the underlying investment risk in each type of trust. Further commentary will have to await publication of the guidelines.

Eric Short

EC harmonisation

Ucits will help remove barriers

THE YEAR 1992 is a fast-approaching deadline, engraved on the hearts of all businessmen eager to meet the opportunities and challenges that will be presented by a more open "internal" European market.

It is the date by which the European Commission hopes to have torn down the the major barriers that inhibit trade between the member states of the European Community.

For fund management groups, however, the key entry for the diary is probably October 1989, when the so called Ucits directive - standing for Undertakings for Collective Investment in Transferable Securities - finally comes into effect.

This clumsily named piece of legislation will allow financial institutions to operate throughout Europe on the basis of an authorisation in one member state. It was adopted by the EC Council of Ministers in December 1985, but because of the lengthy delay in implementation will have been put on the back burner initially by most of those who will shortly be able to take advantage of it. The time for dusting down is now overdue.

Many British unit trust groups are put off continental Europe because its fund management industry is elusive, comparative performance figures rare, and the legal structure of many of the investment vehicles unfamiliar.

There is little doubt, however, that the European industry is sizeable - more than £200bn on one estimate, compared with the UK's £43bn - and that there are rich pickings for any fund management group that can get the formula right.

In theory, it should be possible for fund managers to do business across national frontiers, given that the Treaty of Rome specifically refers to the free rendering of services throughout the Community. The problem is that barriers have been created by different investor protection rules, which, even if applied without discrimination to home and foreign based institutions alike, effectively prohibit cross-border operations.

As one Commission expert in Brussels explains: "In West Germany an investment company has to have a bank as a depository, but in many other countries this requirement does not exist. Equally, in Germany a fund can borrow up to 10 per cent of its assets, whereas UK authorised unit trusts are not allowed to borrow anything."

The only way out, therefore, was to harmonise the most important rules and controls on a European basis, so that funds which met these requirements

Continued on next page

Rules and regulations

Pricing plan causes disquiet

FOR OVER 50 years the unit trust industry has operated under Trust Law within the overall supervision of the Department of Trade and Industry.

As a supervisory system, this has worked well. It received praise from Prof Jim Gower, the original architect of investor protection. Indeed, in his report, he asserted that the industry, if anything, was over-regulated when every other investment industry was criticised to a greater or lesser extent.

Consequently the unit trust industry itself was taken aback when the Securities and Investments Board (SIB) last month put forward proposals to impose a whole batch of regulations on the industry.

Under the 1986 Financial Services Act, the SIB, the overall body responsible for adminstering the financial services legislation, takes over from the DTI the supervisory responsibility for authorising unit trusts and controlling the industry. The SIB found that the monitoring procedures operated by the department had been developed piecemeal over the decades on an *ad hoc* basis with a high degree of informality.

The system has worked well, primarily because of the relationships built up between the established unit trust groups, the trustees, the Unit Trust Association and the DTI.

The groups, by and large, still adhered to the principles laid down by Ian Fairbarn, the founder of the M & G Group and the father of the unit trust industry, in operating collective equity investment schemes.

However, conditions are changing rapidly in the investment world in general, and these are impinging on the unit trust industry.

A number of new groups have come into the unit trust field, particularly life companies, bringing a rather different attitude towards regulation. These new players have a more aggressive attitude towards marketing and commission payments, and the financial muscle to undertake rapid expansion.

The recent marketing campaign from Royal Life Fund Management, entitled the "Royal Event", raised quite a few eyebrows among the established groups and drew considerable criticism of its promotional literature.

Second, the unit trust industry is expanding its operations, from being equity and fixed interest investors, into a much wider field, thereby competing more directly with other investment industries.

The established groups, happy to be able to offer cash funds, are being dragged rather reluctantly into many other new investment areas, such as property, traded options and futures. EC harmonisation is responsible for much of this development.

In such circumstances, the old style informal system could not be operated by the SIB, responsible for the whole investment industry. A formal system of monitoring was necessary, if only to ensure the cherished concept of a "level playing field" between unit trusts and other investment industries such as life assurance.

The UTA accepts this development and welcomes those parts of the SIB's proposed rules that formalise existing practice. In particular, the proposed rules that will ensure that trustees *fulfil* their responsibilities to units trusts are welcome.

Trustees will be required to make annual reports to unitholders on the trusts for which they are responsible. They are being told specifically not to create back units. And they are being told formally to take an active interest in the functions of the management groups, and not just wait for managers to report to them. These developments are welcomed by the UTA, which feels that nothing more is necessary for the efficient monitoring of the industry.

The trouble starts with the rest of the rules being put forward by the SIB. It has adopted the attitude that, if the means of abuse are present in the present system, then *it* must put up a set of rules that stop the loophole, even if the abuse can be stopped by other means.

This attitude is highlighted in the proposal to move to a system of "forward pricing", the system operated by mutual funds in the US.

For over 50 years, unit trust deals, both buying and selling, have been done on an historic pricing system. For example, if the managers make the price of units at the close of business each day, then deals on a certain day are transacted at the previous day's price. The advantage is that the unitholder knows at which price he is dealing.

The SIB argues that historic pricing works very much to the advantage of the manager, who knows how the market has moved since the last prices were quoted and can act accordingly. So it proposes to change to a forward pricing system, under which all deals will be transacted at the price quoted after the order has been received, thus preventing the manager from using his market knowledge. But it will also mean that the unitholder will not know at what price he is buying or selling.

The SIB further argues that this is the situation when an investor deals in individual shares. The UTA reply that share prices are fixed much more frequently than unit trust prices. It feels that its main competitor is not equity share buying but unit-linked life contracts and offshore funds, both of which use historic pricing.

If a unit trust price was on a real time system, then this problem would not arise, since forward and historic pricing would both be on the *same basis.*

However, the rules do not stop there. The SIB wants unit trust managers to quote the basis on which their prices are calculated - bid, offer or intermediate - and for this to be shown in the publication of the prices.

The UTA counter this proposal by arguing that, since there would be a forward pricing system, the information would be at best irrelevant and at worst misleading, as it would be no guarantee that the next price would be on the same basis as the last price.

Finally, the SIB intends to remove any other opportunities for abuse by managers, by requiring them to instruct trustees as to the number of units to create or cancel within a specif*ic time of making the price - two* hours is suggested.

This may be feasible *if* management groups have sophisticated computer based administration systems, but generally it is far too short a time period. It also means that if groups make prices at the end of the day, then newspapers would not be informed of the new prices until after the early editions of the paper have been set - prices shown could be two days old.

The UTA response to the proposals will be going to the SIB on Monday, and it is obvious that they will oppose these particular aspects.

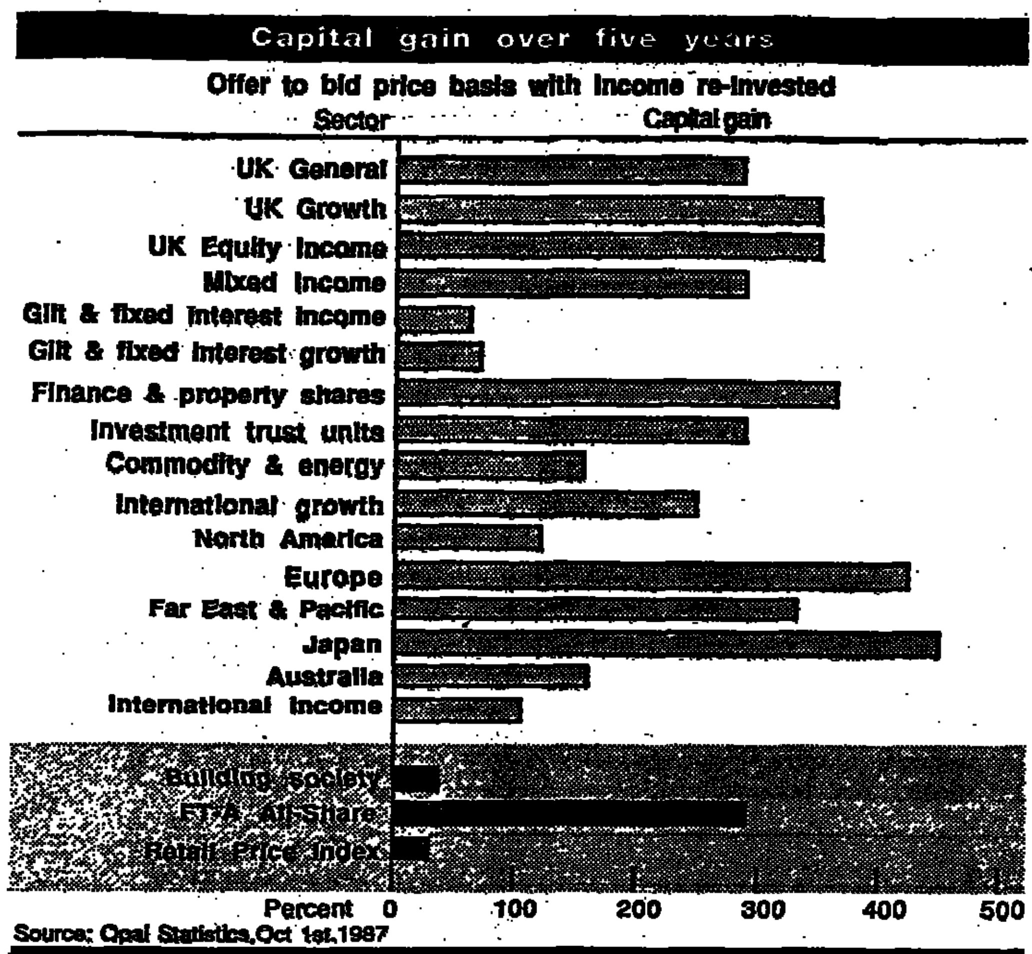
For its part, SIB officials have also made it clear that they have not yet seen any evidence to make them rethink their arguments on forward pricing.

The UTA has been making even greater efforts that usual to get its side of the case presented to the media, and a battle royal looks in prospect on these rules.

But this is not the end of the saga. Unit trust managers have for decades run a box - holding units sold back to them, rather than cancelling them to be sold later. The profits from running a box can be significant in a bull market. Next year the SIB intends to investigate this and other management activities where the manager acts as principle and agent. No doubt another battery of rules will emerge.

Eric Short

UNIT TRUSTS 3



Source: Opal Statistics, Oct 1st, 1987

Choosing trusts

Balance lessens risk

FACED WITH persuasive mailshots offering "chance of a lifetime" investment opportunities, how does the investor decide into unit trust to put his hard-earned cash?

There is now over £47bn under management by unit trust companies, and every month the Unit Trust Association reports record sales of unit trusts.

Although there is no statistical breakdown showing whether the new unitholders are largely private investors or institutional, there can be little doubt that, for the UK's new share-owning democracy, this form of collective investment is proving increasingly appealing.

While unit trusts are less risky than direct equity investment, a well-balanced unit trust portfolio will minimise the risk further and hopefully give a better return on capital.

Mr Ben Goodden, director of the advisory department at M&G, the UK's largest and oldest unit trust company, boldly simplifies the options. "There are basically only three types of unit trust, as far as we are concerned. A growth fund, a balanced fund and an income fund."

Couple this with the advice from Glynne Clay, senior investment director at independent intermediaries Richards, Longstaff, and ask yourself simply: "What do I want from my investment?" and a formula begins to emerge.

The would-be unitholder needs to have a clear idea of his investment objectives. If you want income from your investments, go for income growth trusts; if you want capital, then capital growth trusts. Those who want a mixture of both should go for a balanced fund.

Having decided what you want from your portfolio, the next step is to choose the funds. Mr Jamie Berry, of private client fund managers Berry Asset Management, says: "There is no real scientific basis for choosing a fund. It's more an amalgam of different factors."

Mr Berry looks for consistently good long-term performance. "Virtually every group has a flash-in-the pan high performing trust, but I prefer to look for stability in the returns and in the management," he says.

For the private investor, this means seeking long-term performance figures. Look at returns on a fund over at least one year.

Another factor in Mr Berry's decision-making process is identification with the management style and philosophy of the group. He looks for funds with a fairly concentrated stock selection that aren't too aggressively managed. He also takes into consideration the size of the fund and the size of the market it invests in. A large fund invested in Spain will affect local market conditions and be more volatile than a Japanese blue-chip fund.

Information like this requires a little research for the private investor, but investment magazines or newspapers carry profiles of leading groups and their funds. Never be afraid to ask the management group.

"There is no real scientific basis for choosing a fund. It is more an amalgam of different factors."

Private client managers Richards, Longstaff has an analysts department monitoring management groups' performance and the activities of the fund managers themselves. "A good manager makes a good trust, and a good trust can make a good manager," says Glynne Clay.

If a particularly successful fund manager moves company, a significant part of his fund will often follow him. The ideal balanced portfolio will have a core element of safer long-term investments in blue-chip companies.

Mr Berry puts around 70-80 per cent of his clients' money into funds like this, and the remaining 20-30 per cent into more opportunistic investments. For the private investor this is likely to be the exotically marketed Far East funds or "special situation" funds which have produced excellent returns over the last year.

But always remember: the greater the reward, the higher the risk. For a portfolio of £20,000, Mr Berry says: "I would spread the money between six to seven unit trust holdings from different groups, so as to spread the risk and harness the portfolio to different fund managers' talent."

Unit trust charges are incorporated in the difference between the bid price, the price that you can sell them at, and the offer price, the price at which you buy the units. The price differences average 5-6 per cent, and market forces keep it fairly consistent from group to group. However, managers retain the right to alter the price to follow market movements. During August, when the UK stock exchange suffered a series of major downturns, many unit trusts went on to a bid price basis, and investors would have found it more costly and more difficult to sell.

The Securities and Investments Board has recently published new draft regulations for the unit trust industry, outlining a system of pricing where the units are bought on a forward pricing basis, to try to make it clearer to the investor what his investment is worth at any one time. The unit trust industry and the SIB are destined to be in acrimonious debate for some time.

In addition to the charges included in the price, the investor will pay a management charge of between 0.75 and 1.75 per cent. This varies, but generally the more specialised the trust, the higher the charge.

The Unit Trust Association publishes a general guide to investing in unit trusts; and, while it cannot give specific advice, Sally Buxton from the UTA's information unit says: "Don't put your rainy-day money in unit trusts. They may go down."

However, don't be deterred. Over the last few years many unit trusts have performed spectacularly well. With careful research and regular monitoring, unit trusts offer the private investor relatively safe access to the world's equity markets. The guide to investing in unit trusts is available from the: *Unit Trust Association, P.O. Box 8, Stroud, Gloucestershire GL6 7AT.*

Beverly Chandler
Financial Adviser

Harmony with Europe

Continued from previous page

in one member state would be able to operate freely (and without having to set up separate offices) elsewhere.

Ucits was designed to cover all entities that offer to invest the public's money in a spread of transferable securities and to redeem units, from a common fund, on request.

UK and Irish unit trusts are included, as are the continental varieties of contractual common funds and open-ended investment companies such as the Societe d'Investissement a Capital Variable (SICAV) and Fonds Commun de Placement. The original architects of the legislation were keen to reflect the diversity of established legal forms - notably trusts, companies and contracts - which is why the term Ucits had to be found.

Closed ended funds and companies such as UK investment trusts are specifically excluded from Ucits. Member states are also able to leave out venture capital funds, and funds which invest largely in unlisted securities.

The directive covers a wide range of requirements, notably spelling out permitted investments, investment limits and redemption provisions. Thus 90 per cent of a Ucits portfolio must consist of quoted securities, no more than 5 per cent may normally be invested in a single company, while a Ucits can borrow up to 10 per cent of its assets.


The EC building in Brussels

The Directive also requires that the assets of a fund be held by a depository (separate from the manager), who is responsible for ensuring that money due to the fund is properly accounted for and that issue and redemption prices are calculated in accordance with the rules. The qualifications of investment managers (who must be "fit and proper persons") is covered, while there are obligations relating to disclosure and the information provided to shareholders and unitholders.

Officials in Brussels are keen to stress that the Directive lays down only minimum rules, and that member states can impose stricter requirements, but only on their domestic industry.

The only area where the "host" country has competence over Ucits from another member state is marketing - a touchy subject and one that was considered too complex and time consuming to be included in the scope of the directive. The result is that, if door-to-door selling is outlawed, as in the UK, foreign funds looking for business must comply with the rules, even if they are used to knocking on doors in their "home" territory.

With two years still to go before the EC Directive has to be reflected in national legislation, it is not surprising perhaps, that no member state has yet fully complied with the requirements. Indeed, only Belgium has introduced the relevant changes for its domestic funds; while the Financial Services Act in the UK has noted the fact that funds authorised in other countries of the Community (ie Ucits) must be allowed to sell their wares in Britain.

Greece and Portugal have until 1992 to amend their laws - but others who fail to meet the October 1989 deadline could face action in the European Court of Justice.

Tim Dickson

Profile: Fidelity

A streamlined latecomer

AS ITS name may suggest, Fidelity has stayed true to its origins. Set up in Boston in 1946 as a fund management company, it has stuck doggedly to the task, ignoring the siren calls of diversification.

Its reward has been poll position as the world's largest privately owned fund management group, managing assets worldwide of more than $75bn.

A relative latecomer to the UK market, Fidelity launched its first unit trusts in this country in 1979. Since then it has built up a set of 18 trusts; its latest, the Eastern Opportunities Trust, was launched this month with total funds invested of £1,148m.

Two features have characterised Fidelity's expansion in the UK market.

First, it has concentrated on developing a streamlined range of large trusts. Its European Trust, for example, has £191m under management, while its Special Situations and Japan Funds have £161m and £117m respectively.

Second, it has used its international network of offices, situated in all the major markets worldwide, to develop a range of specialised geographic funds. Despite eight years of operating a fully fledged London office, and despite the fact that UK trusts are top of the performance tables, it still does not offer a straight UK unit trust.

At the same time, Fidelity believes the key to growth will be making unit trusts easier to buy. Managing director Mr Barry Bateman points out that unit trusts do not have the same kind of accessibility as other vehicles competing for savers' money. "We are in competition with the building societies, who have offices in every high street and nice, friendly staff to deal with every question. We can't compete with that, but we can have nice friendly staff to answer the phone at the weekend," he said.

To catch up with building societies, Fidelity lauched, at the end of last year, a free telephone advisory service, designed to advise customers on the range of trusts available, and to take telephone orders for buying and selling. The service averages 2,000 calls daily, with a particular concentration at the weekend. During the launch period of its latest Far Eastern Trust, Fidelity took 700 calls in a three-hour period on a Sunday evening, picking up on potential customers who had read advertisements in the weekend papers.

The strong growth in unit trust investment, Mr Bateman believes, has been the result of existing investors' increasing the size and spread of their holding, rather than any great inflow of new investors. But there has to be a limit to the amount that cant be taken off the existing customer base.

Future growth will depend on the company's ability to attract a wider spread of customers. But that, Mr Bateman says, demands a different marketing approach.

An upcoming unit trust launch aims to do just that. Specifically aimed at first-time investors, Fidelity will be running a campaign through the Daily Mirror. "We have to market it in a different way," he commented, "because we will be dealing with people who need their hands held through the whole process of making an investment."

Matthew Lynn
Financial Adviser

Profile: GT Unit Managers

A global player

MALCOLM WEIGHTMAN shifts slightly forward, levels a scrutinising stare, and speaks: "I don't believe our investors are interested in Outer Mongolian left-handed screwdrivers."

That variation on the Mongolian theme suggests that even the Mongolians are getting a little bored of the ordinary old unit trust. GT Unit Managers agrees. The mind of Malcolm Weightman, its managing director, is streaming with ideas for new funds, new ventures and new marketing strategies. And none too soon in the fickle world of selling unit trusts, where obsolescence follows rapidly on the heels of anything so usual as a new fund.

Small investors are taking more aggressive positions, and switching between trusts with daredevil alacrity, emboldened by a new found source of profits in what had been the most bullish of bull markets. But the rush of nerves after the recent collapse in share prices has checked these novel crusades into riskier unit trusts.

Mr Weightman notes the emergence of "short-termism" among even private investors. "People are unbelievably performance-oriented - one held a fund for three and a half weeks and sold because it hadn't performed as well as he'd hoped."

He thinks the average investor's horizon extends for three-four years, where 18 months ago it would have been seven years or more.

"Most advisers switch a lot more; they take profits where they can."

Another reason is that people are realising that the cost of investing in a unit trust is close to the cost of buying shares, once stamp duty and share selling fees have been added. "And with a unit trust they get professional management and diversification," said Mr Weightman.

Diversification is a bonus of some substance at GT Unit Managers. Formed just five years ago, a sideline activity in the GT group run by James Berry (now of Berry Asset Management), with £40m under management, GT Unit Managers has grown into a trust company with an international investment coverage and £555m in hand.


Mr Weightman: most advisers switch a lot more

GT Management is currently negotiating a series of international deals to continue this growth. It is about to extend its Guernsey-based offshore fund business with a new office in Luxembourg; a Munich office has just been opened to help run its continental investments, particularly the GT Germany Fund; a Canadian mutual fund will be launched in November from GT's Toronto office; and a series of nationwide roadshows around the US is underway, to help promote GT's American mutual funds, run from its San Francisco office.

It supports GT's image as an international investment manager, rather than a homegrown unit trust group, reflected also by the recent launch of the GT Worldwide Special Situations Fund which was originally a £300m investment trust managed by GT for the US Debenture Corporation.

That was unitised, parts were sold off, leaving a residue £30m which formed the platform for the release of GT's aggressively managed Worldwide Special Situations.

Like the rest of GT's authorised unit trusts, this is run by GT Unit Managers, the director of which is Malcolm Weightman, a man who has seen the less salubrious side to retail investment management.

Mr Weightman's experience of selling funds goes back to his days as a salesman for IOS, the infamous mutual fund group run by Bernie Cornfeld and Robert Vescoe which pioneered the mass sales of units and collapsed in the early 1970s with losses running into billions.

"I wasn't selling to mercenaries in the Belgian Congo," says Mr Weightman. "I spent two years in Geneva, then moved to Pakistan and Nepal to sell [IOS] mutual funds to expatriates."

He left before the collapse to work for an Australian stockbroker, returned to the UK and joined Jessel Britannia, MIM's predecessor, before GT Unit Managers in 1982, under Mark St Giles and Bertie Boyd, joint managing directors. He is now a member of the board.

A retail unit trust man to the full, Mr Weightman is dismayed by the new rules for unit trusts introduced by the Securities & Investments Board.

"If the trustees had been doing there job properly, it never would have happened," he says. "Forward-pricing is nonsensical any way you look at it." But a second thought checks his complaint: "You know, all IOS units were sold at unknown prices."

Paul Ham
Financial Adviser

UNIT TRUSTS 4

Pensions

Helping widen the choice

RADICAL CHANGES in UK pension provision, which come into operation next year, offer a potential new market to the unit trust industry. Yet to date, most groups have shown little enthusiasm.

The Government's aim is wider pensions choice for individuals, alongside wider home ownership and wider share ownership.

Employees will be able to arrange pensions outside their company scheme and the State Earnings-Related Pension Scheme (Serps), boost company pension benefits through Free Standing Additional Voluntary Contribution schemes (FSAVCs), and have a wider choice of financial institutions through which to make pension savings up to retirement.

The 1986 Social Security Act ends the monopoly of life companies in the provision of individual pensions. Banks, building societies and unit trusts will also be able to provide the savings element of pensions, though the actual pension itself will still have to be bought from a life company.

So unit trusts can now offer both personal pensions and FSAVCs to employees. FSAVCs are already on the market and personal pensions will come into being next July.

It is estimated that around 10m employees are not in a company pension scheme - a similar number are in. So the potential market for individual pension arrangements is immense. Why then are unit trust groups dragging their feet about moving into this new market?

First, the majority of unit trust groups already have life company subsidiaries or are subsidiaries of life companies. These groups are still considering which route to take into the new fields.

The life company member of these groups will automatically be providing personal pensions, though there is considerable reluctance at present by established life companies to enter the FSAVC market. So the managements have to decide whether they want their unit trust side also to be in this field, perhaps in direct competition with the life company member.

This is the stance adopted by M & G, which is considering the position. In contrast, Save and Prosper took the decision some time ago to market pensions solely through its life company.

The reason given by Save and Prosper's marketing director was that the administration systems required to operate personal pensions are so complex that it will be difficult enough to get the systems in place for the life company, where there is already a wealth of experience, compared with those required for the unit trust operations which have to start from scratch.

This is the nub of the problem for pension providers. While the Government has introduced wider pensions, the civil servants in the Department of Health and Social Security and the Inland Revenue have between them set up such complicated operating procedures that the provider needs in-depth adminstration systems to operate the schemes.

Unless these systems are already in place, the provider has to be prepared to allocate considerable assets - financial and manpower - to develop a product, demand for which has yet to be proved.

Personal pension contracts are split into two parts. The first part, known as the protected rights portion, is used to contract out of Serps and has the most complicated administration procedures.

Contributions for this part are collected over the financial year by the DHSS, and then paid over to the pension provider in a lump sum a few weeks after the end of the financial year.

The proposed commission rate paid to intermediaries on this part of the policy is 4 per cent of the lump sum, and the average annual contribution is put at £600. However, unit trust groups would be likely to keep to the standard 3 per cent.

There is very little incentive for intermediaries to sell just a rebate-only personal pension contract. They will be looking for a substantial second tier contract from the employee.

Employees can pay up to an extra 17.5 per cent of earnings into this second tier personal pension, with those aged 50 or over able to pay higher contributions.

Worthwhile commissions can be paid on this portion. Life companies would pay the usual high front-end payments to intermediaries, while unit trusts could well stick to 3 per cent of contributions.

All this indicates that no one knows for certain the size of the initial personal pensions market - it could be relatively small. And intermediaries could well promote life company personal pensions, rather than unit trust contracts, despite the best advice requirements of the financial services legislation. So unit trust groups would be reluctant to allocate men and money developing systems until they are more sure of the market.

The general inclination of unit trust groups is to wait and see what develops. Since the new regime allows employees to sweep up back contributions under the carry-forward provisions, there is no urgency to have a personal pension product on the market on day one. The consensus is that the personal pension market will develop slowly.

Nevertheless, a minority of unit trust groups feel the potential is such that there are advantages in being in this market on day one. N M Rothschild Asset Management has announced that it will have a unit trust personal pension product available that by paying the usual low commission rates will be a winner on charges.

All employees buying personal pensions will receive a cooling-off notice, which allows them to change their minds. This notice shows illustrated transfer values for the first five years of the contract on standard investment assumptions but the providers' own charging structure. A provider with low expenses will show higher values - a marketing plus point.

Two of the Scottish independent investment houses - Murray Johnstone, in Glasgow, and Dunedin Fund Managers, in Edinburgh - have expressed their intention also to be in this market, though the other Scottish groups are just watching the situation. Dunedin is prepared to hire the adminstration necessary.

Finally, the wider choice will now allow employees to transfer benefits from one contract to another. No longer will an individual be locked into one contract for existing contributions, as is the current scene for self-employed pension contracts.

Eric Short

Performance

Ways to spread the risk

THE NOVICE investor may be swayed by advertising that extols the performance of unit trusts, and compares the investment with a building society savings account.

What he may miss comes in the small print - phrases like "the value of units can go down as well as up"; or reference to a 5 per cent front-end load charge and an annual management fee of 1 per pent; not to mention the spread between the offer price and the bid price.

The advantages of unit trusts are clear. Professional fund-managers spread the risk of equity investments through a range of stocks, bringing good returns. Investors need not worry about seeking advice from stockbrokers, or making tough decisions themselves.

No capital gains tax is levied on the profits made by purchases and sales of investments within a trust. And, although investors are liable for CGT on any gains made when units are sold, they are free to sell only enough units to stay under the limits set by the Government.

The disadvantages are often not so clear. When a unit trust boasts a performance of 42 per cent, an investor should realise that approximately 12 per cent will be eaten by charges from the unit trust company.

Unit trusts have an almost standard front-end charge of 5 per cent on all investments, and a yearly management fee of 0.75 per cent to 1 per cent. An investor might expect fairly high returns before being tempted to take the cash out of a savings account bringing in 9 per cent a year.

Furthermore, when the investor is ready to sell units, he orshe may be in for another surprise. Buying and selling unit trusts is similar to buying and selling foreign currency for a holiday. Units are bought at a slightly higher price (the offer price) and sold at a lower one (the bid price). The spread between the two may be as much as 12 per cent or more, but is usually about 6 per cent.

"This can effectively reduce the price you get for your units," said Mr Julian Gibbs, a pioneer in personal financial planning.

That means that from 12 to 21 per cent of your investment has been eaten by front-end loads, management fees and spreads. Unit trust prices are quoted daily in the press, but the prices are two days old before they get into print.

Investors should be aware that unit trusts are not the only investment that can bring ressonable capital growth and spread the risks of their money. Investment trusts and insurance bonds are two other methods.

An investment trust, for example, spread risks by investing in a number of stocks, but is itself a public company. It has a fixed amount of capital, divided into shares and is quoted and traded on the Stock Exchange.

Like unit trusts, investment trusts spread the risk of the investment, because fund managers buy shares in a number of different companies. The performance of investment trusts has been impressive. According to statistics compiled by the Association of Investment Trust Companies, they have outperformed unit trusts over one, three, five, and seven year periods by between 8.4 per cent and 21 per cent.

In some ways, investment trusts are more flexible than unit trusts in their investment strategies. Investment trusts can put up to 15 per cent of their portfolio into a single company, can invest in the Unlisted Securities Market, and may borrow in order to buy extra shares in a process known as gearing.

The value of these shares can be assessed through the standard price/earnings ratio, or through their net asset value (NAV). The NAV is figured by adding up all the assets, subtracting liabilities and dividing the figure by the number of shares in issue. This price may be above or below the quoted price per share.

Since the 1970s, the quoted price of most investment trustshas been at a price lower than the NAV. "It's like you are buying shares at a discount," said Mr Gibbs. "But when you come to sell your shares, you have to remember thatthe discount is still there." If investment trusts are not as well known as unit trusts,it is for one reason: "Investment trusts pay very little commission [to financial advisers]," said James Fox, managing director of Morgan Grenfell Trust Managers. Without the high commissions, the large advertising campaigns are unlikely to be forthcoming. This is an advantage for the investor, however.

Because investment trusts are public limited companies,shares in them must be bought through a stockbroker. An investor pays a standard stockbroker commission of 1 to 1.5 per cent, and an annual management fee of about 0.5 per cent or less. Fees for buying, selling and managing investment trusts comes to about 3 or 4 per cent, rather than the 12 per cent for unit trusts.

Another advantage of investment trusts is that they are aclosed-ended fund, said Mr Leslie Renvoize, a spokesman for The Association of Investment Trust Companies. As a closed-ended fund, it has a fixed amount of investment capital, which can be increased only if the shareholders vote their approval. Shareholders cannot simply apply to the managers to withdraw funds, nor can new investors apply to them to buy existing shares. All buying and selling is on done on the Stock Exchange.

This effectively means that fund managers can take a long term view for investments, Mr Renvoize said.

As open ended funds, unit trusts are "market driven", said Morgan Grenfell's James Fox. Unit trusts allow investors in quickly when prices are rising, and allow them to jump ship quickly if the investments are falling. Such potential volatility in available investment funds can prevent long term views by unit trust fund managers.

Insurance bonds are a third investment available to the small investor who may not have the time or experience to manage investments in individual companies. A lump sum is invested in an insurance bond, which buys a single premium insurance policy. This gives a small amount of life cover, usually 101 per cent of the initial investment. Most of the money is invested in "units" of one or more investment funds.

These funds are often managed by a major insurance company,although individual brokers create and manage their own funds. Of 140 funds monitored by Finstat, the best managed fund is the City of Edinburgh Risk and Reward Fund, with a 12 month performance of better than 70 per cent. That compares with a growth rate of 163 per cent for the best unit trust fund, Manulife's UK Smaller Companies Fund.

Insurance bonds are similar to unit trusts in fee structure. There is a spread between the bid price and the offer price,usually of about 7 per cent. Second, insurance bonds charge a yearly management fee of about 0.75 per cent; and third, the costs of buying, selling and holding the investments are deducted from the funds before the price is worked out.

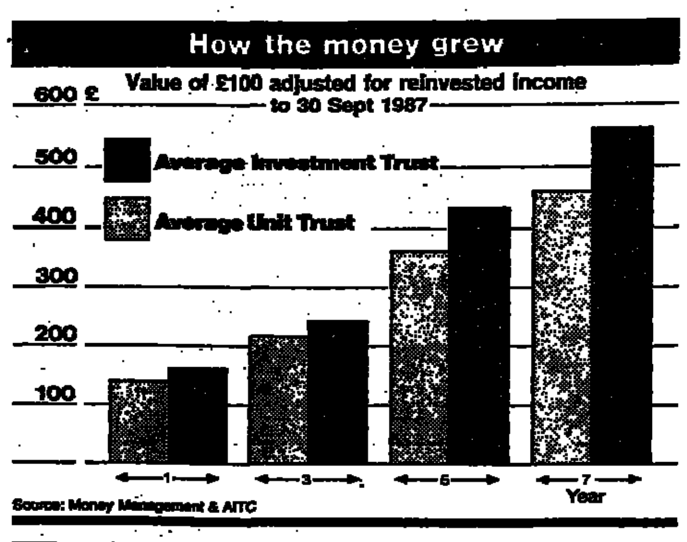
Insurance bonds offer several advantages. It is usually cheaper to switch between the funds available with one insurance bond than switching between different unit trusts. Higher rate taxpayers, who have used up their tax free allowance for CGT and want an income will not be taxed immediately. This is because you can take as income from a bond a maximum of 5 per cent of the original investment for each year, up to 20 years, and postpone paying any tax.

When the bond is cashed in, there is only the higher rate of tax to pay, and no basic rate tax.

However, insurance bonds are not particularly suited to basic rate taxpayers. "For basic rate taxpayers, it may be more beneficial to invest in unit trusts," said Debbie Kellas, a marketing officer with Black Horse Insurance, a subsidiary of Lloyds Bank, which sells both unit trusts and insurance bonds.

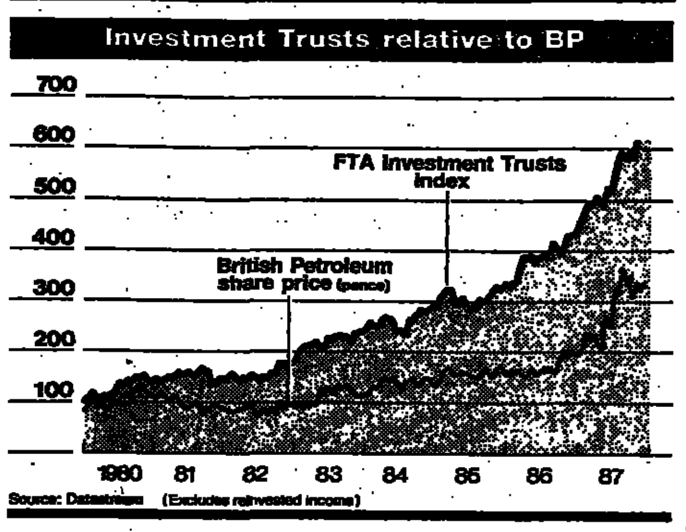
Clay Owen
Financial Adviser

How the money grew



Source: Money Management & AITC

Investment Trusts relative to BP



Source: Datastream (Excludes reinvested income)

Profile: **the Gartmore/Oppenheimer merger**

Britain's biggest

AS THE new chairman and chief executive of Gartmore Investment Management, Paul Myners is currently overseeing the smooth integration of Gartmore with Oppenheimer, the US-based mutual fund group.

The recent merger between British & Commonwealth and Mercantile House, parent companies of Gartmore and Oppenheimer respectively, has formed Britain's biggest fund management group with a total $18bn under management.

The scale of the merged group, encompassing collective investment schemes of every variety - offshore, unit trusts, money market and mutual funds - demands a truly international approach to sales and marketing. Legislation which seeks to streamline sales of unit trusts in Europe by 1992, and allow offshore funds to be sold in Britain next year, throws into an international context the UK Government's regulatory regime.

Mr Myners is apparently the man to lead Gartmore through this legal minefield. He has a management finger on every detail, whether it be fine-tuning a joint venture with Clayton Robard, Australia's biggest unit trust group, or discussing Gartmore's incentive package with employees of Oppenheimer.

But essentially his is the investment business: a graduate with first class honours from the University of London, Mr Myners was economics correspondent on The Daily Telegraph during the turbulent early 1970s.

He left the Telegraph in 1974 to join the investment division of N M Rothschild, where he was appointed to the board in 1979.

He joined Gartmore in 1985, and the board of B & C in 1986. Over the past three years he is credited with turning Gartmore from what one observer called "a bucket shop" into an international fund management group, of the quality if not the size of Fidelity.

Bottom-line improvements are reflected by the increase in Gartmore's pension funds under management: at £400m in 1985 they grew to £900m in 1986, £1.6bn this year, and are expected to top £2bn next year.

The merger has created a formidable force in international fund management, the complement of companies which appear made for each other, in the geographical and managerial sense. For instance, Gartmore has a strong presence in the Channel Islands with its $500m "Capital Strategy" umbrella fund, while Oppenheimer manages a large range of money

Continued on next page

UNIT TRUST investors who put down a lump sum the day before the stockmarkets took a tumble may wish they had heeded the government unit trust health warning: "The price of units can go down as well as up."

But there is one type of unit trust investor who may not have been biting his nails quite so close to the cuticle. The investor with a monthly savings plan can sit out a fluctuation in the market, knowing that when it falls, his monthly contribution buys more units. In the words of Kate Rowley, of Framlington: "The only thing that matters is when you sell, not when you buy."

Regular savings plans have long been regarded as the Cinderellas of the unit trust world. Costly to administer by unit trust managers, disliked by financial advisers because of the method of commission payment, most investors have stumbled across the plans almost by accident. But that's all changing.

About half of unit trust companies offer regular savings plans. A typical minimum monthly contribution is £25, though it can be as low as £10, as with Midland bank. Hill Samuel and Oppenheimer ask for £50.

Monthly contributions can even out fluctuations in the market, say advocates

Savings plans increasingly find favour

Mr Bill Stuttaford, chairman of the Unit Trust Association, and also chairman of Framlington, which is an active promoter of savings plans, is a keen advocate of the system: "Regular saving schemes are an excellent way of investing. The investor benefits from poundcost averaging; they allow into the market people who could not otherwise afford to invest a lump sum; and for tax and charges, unit trusts are better than unit-linked endowment policies."

The concept of *poundcost averaging* means simply that, if you save a set sum each month, you inevitably buy units across a spread of different prices. When units are high, the investor buys fewer units at bid price; when the units are low, the sum buys more. A savings plan effectively reduces the risk of buying in at too high a price by averaging out the cost of units purchased. More sophisticated investors may prefer the risk of buying in when prices look lowest. But for some people at least the risk of choosing when to buy is reduced.

In the main, regular savings plans are tailored to suit the need of income-rich but capital-poor investors, who wish to tap into the greater historical returns available, compared with a building society account, and who wish to avoid the potential pitfalls, such as the early opt-out penalties of unit-linked endowment policies.

Mrs Nichola Brooksbank, marketing manager at N M Schroder, said: "Through bull and bear markets, the performance of unit trusts is brilliant."

The average monthly sum invested with N M Schroder is £38. But lump sum investments form by far the greatest proportion of the group's unit trust sales. Mrs Broooksbank sees a typical savings plan customer as between 25 and 45, with between £25 and £50 to commit each month: "The market must be for the younger person." And although some unit trust companies continued to sniff at what appeared a marginal market, in the long run, said Mrs Brooksbank, the current savings plan investor was a future lump-sum investor with the same group.

N M Schroder entered the savings plan market in the mid-1980s. There is an administrative cost, but it is no barrier: "For the first year or two you won't make a bean, but now we make money."

Two new entrants into the savings plan market, Prolific and Mercury, had cut administration costs by introducing a new computer sofiwear package. Interestingly, this was sold to them by one of their competitors, Framlington.

At present, N M Schroder obtains about 60 per cent ofits lump-sum business through brokers, but less than 5 per cent of savings plan business comes through this route. It is forced to rely on press advertising or direct approaches in the regular savings plan field.

GT is one group that has tried to break broker resistance by offering substantial up-front commission to brokers that place client business with it. Most companies either pay commissions monthly, or six months in arrears. This explains why savings plans are unpopular with many brokers.

Mr Richard Eats, a director at GT, sees its unit trust savings plans as particularly aimed in competition to the unit-linked life assurance and endowment policies of major life assurance offices. Unit trust companies will claim tax advantages over insurance-linked policies, and flexibility on endowment plans But, as Mrs Banksbrook, of N M Schroder, admits, as life assurance offices move in on a market once dominated by specialist unit trust groups, the environment could become quite a lot stickier for unit trust groups, up against the "fantastic client base" of insurance groups.

The small print on a monthly plan varies from company to company. Most insist that you pay by direct debit, which is the most cost effective method for the company, or at least bystanding order which is the next best. Save and Prosper is quite rare in accepting payments by cheque.

Some companies offer loyalty bonuses or incentives to put down a large lump sum. Mercury, for instance, offers a 1 per cent bonus for 24 consecutive payments. Framlington gives the 1 per cent bonus on a one-off payment of over £100. Brown Shipley offers a 3 per cent bonus on every monthly payment, and the minimum is only £20.

Most companies will not give you a switching discount on thefront end charge until you have saved a minimum investment, which is usually £250 or £500. Save and Prosper, however, allow you to switch at a 3 per cent discount at any time.

Many companies will encourage you to make your payments regularly, although the worst they can do to a lapser is to force him to cash in his savings. Some, however, such as Gartmore and M & G, allow you to put make payments whenever it is convenient.

Most companies will send you a statement once or twice a year. Gartmore also provides savers with a passbook to record savings, which they can send in to be stamped whenever they like.

If, when you cash in your fund, you incur capital gains tax, you may find yourself doing a complex series of sums to take account of 12 annual payments. Some companies, such as Save and Prosper, have an agreement with the Inland Revenue which allows you to assume that you only put down two lump sums in one year, even though you made monthly payments.

Probably the most tax efficient way of taking out a unit-trust savings scheme is to do it via a Personal Equity Plan (PEP). This allows you to invest a quarter of your whole PEP in unit trusts, or, if you are investing solely in unit trusts, to put in £420 a year (£35 per month). Any capital gains, or income which is distributed back into the PEP, is tax free. To take full advantage of this, you should choose a combined growth and income unit trust. Incidently, the only way a PEP can be used to investin foreign markets is via a unit trust.

Hugh Fraser/Michael Kavanagh
Financial Adviser

New entrants

More in hunt for funds

ONE CERTAIN indicator that a market is growing, and that profitable opportunities are opening up, is the length of the queue of new entrants lining up for a slice of the action. By that standard, the market for unit trusts must be growing fast.

As well as a host of existing players in the market putting out more trusts and boosting the marketing campaigns for old trusts, such as the massive Royal Life launch that consumed £8mof advertising expenditure, two major insurance companies have recently joined the hunt for investors' funds.

This month NZI, the giant New Zealand insurers, branched out into unit trusts with a subsidiary capitalised at 1m; and at the close of last year Commercial Union, one of the giants of general insurance business, stepped into the market with an investment in advertising alone of close on £0.5m.

Mr Roy Kemp, UK divisional director at Commercial Union, and the man in charge of the unit trust launch, cites two reasons for making the move. "We are big players in the insurance market, and it seemed like an obvious extension of our business. We consider unit trusts to be complimentary to our existing products."

At the same time, Mr Kemp points out, it allows the company to escape from the cyclical treadmill of general insurance business, and "give us a smoother profit line".

More specifically, a company such as Commercial Union has a crucial advantage when entering a new market; with a solid reputation already built up, and a core of existing policyholders to work on, it can use its established market position to rapidly carve out a slice of unit trust business.

The success of that strategy can be readily seen in the sums raised by Commercial Union in the launch period for its firstthree trusts: a worldwide special situations trust, a UK and general trust, and an income trust. A total of £220m was raised from 80,000 unit holders, sold through press advertising, intermediaries, and by direct mailing Commercial Union's policyholders and shareholders. Since then another fund has been launched, specialising in smaller UK companies, taking funds under management up to £375m; and another three launchesare scheduled for this month.

NZI have been similarly tempted by the seemingly easy pickings in the unit trust market for players with an established reputation. Its UK Life subsidiary, set up from scratch five years ago by managing director Roger Davis and marketing director Freddie Burns, this month announced plans for a unit trust subsidiary called UK Unit Trust Managers.

The unit trust operation, capitalised initially at 1m, will share many of its overheads with the life company. The two groups will use the same team of investment managers, and the same 50-strong direct sales force. One launch, a British growth fund, has been scheduled for the end of October, with another, described as highly novel, lined up for later this year.

The strategy at UK Life, Mr Davis said, is to build up a position slowly and carefully. On the decision to move into unit trusts, he comments: "We need to widen our product base in the UK if we are to become a major force in the market, which we have every intention of doing."

But the decision also fits in with the parent company's declared strategy of building itself into an international financial services conglomerate, with a significant slice of all the major markets. Like Commercial Union, UK Life has an eye on the shifting nature of the personal investment scene in the UK. As savers turn more towards investment in equities, the unit trust groups sense that they are well placed to pick up business.

At the same time, groups involved in more traditional forms of saving, such as life insurance, are anxious to make sure they are not left flogging yesterday's product while the customers move on elsewhere.

Matthew Lynn

How unit trusts have grown:

Year	Value of Funds £m	Sales £m	Repurchases £m	Net Investment £m	Accounts m	Number of Authorised Trusts
1960	201.4	26.88	13.37	13.51	0.66	51
1961	236.6	21.57	14.21	7.36	0.67	54
1962	272.6	45.01	11.07	33.94	0.82	58
1963	371.2	77.46	17.78	59.68	1.05	71
1964	428.9	99.64	22.60	77.04	1.31	106
1965	521.9	80.80	21.78	59.02	1.42	121
1966	581.8	129.69	24.26	105.43	1.64	139
1967	853.8	126.56	42.64	83.91	1.71	161
1968	1,482.4	328.93	70.45	258.48	2.15	176
1969	1,411.9	262.70	76.53	186.17	2.39	205
1970	1,397.7	171.15	73.35	97.80	2.40	240
1971	1,991.2	204.10	127.45	76.65	2.32	269
1972	2,647.5	436.86	195.59	241.27	2.29	295
1973	2,060.4	357.90	171.75	186.15	2.24	338
1974	1,310.8	194.87	110.17	84.70	2.20	360
1975	2,512.4	321.21	130.90	190.31	2.20	353
1976	2,543.0	333.40	165.88	167.52	2.12	352
1977	3,461.3	372.32	257.90	114.42	1.99	393
1978	3,873.4	529.68	294.08	235.60	1.95	421
1979	3,936.7	411.95	353.87	58.08	1.82	459
1980	4,968.0	531.46	423.90	107.56	1.72	493
1981	5,902.4	955.60	428.03	527.57	1.79	529
1982	7,767.8	1,157.51	567.23	590.28	1.80	553
1983	11,689.4	2,459.75	960.19	1,499.56	2.04	630
1984	15,099.1	2,918.2	1,476.7	1,441.5	2.20	687
1985	20,307.5	4,487.7	1,949.1	2,537.6	2.55	806
1986	32,130.6	8,716.7	3,482.1	5,234.6	3.41	964

Statistics as supplied by all UTA member companies and the majority of non UTA members.
Source: Unit Trust Association.

The Gartmore merger

Continued from previous page

market (currency) funds in *Luxembourg*.

In the UK, Gartmore has £700m in unit trusts with more than 125,000 unit holders, drawn by the group's aggressive approach to the smaller, lucrative but largely untried markets.

Meanwhile, Oppenheimer boasts a string of Luxembourg-based currency funds, totalling $5bn, which provides Gartmore with a much-needed cash retreat and fee revenue of about $30m a year. In the US, Oppenheimer is among the 20 biggest mutual fund groups with 12bn invested and connections with wholesale brokers across the nation.

For Gartmore one of the bonuses of the merger is access to Oppenheimer's software system, which was developed in the US to handle an enormous volume of transactions. More British unit trust companies are looking closely at entering the US mutual fund business after Gartmore's trail-blazing example.

Mr Myners takes pains to emphasise the mutual benefits accruing from the integration of the staff. "We looked at 30 potential targets before selecting Oppenheimer." Cost, distribution and computer support were not the only criteria. "Good fund managers are very hard to come by," he said. "Only the rubbish comes easily."

Those in the Oppenheimer camp with a claim to being indispensable include Steven Murray, director of administration, who has been imported from the US to help sort out the new administration system.

And the role of Peter Scott, Gartmore's highly regarded international investment manager, assumes a new sphere of influence, with more room to switch between funds and cash.

In other events, Gartmore is forging links with trust groups all over the world. In Tokyo, Gartmore co-manages funds with Daiwa, the investment bank; in Australia it is engaged in a joint venture with Clayton Robard, recently acquired by the UK Tyndall Group; in Hong Kong, it runs US$600m in pension and equity funds; and in Germany it is about to link up with a German fund manager.

The vision, according to Paul Myners, is in the next few years to become "a major provider of global financial services".

Paul Ham

Collecting

It's a red letter day

SOTHEBY'S - wittingly or not - are celebrating the 70th anniversary of the Russian Revolution with the sale of a remarkable collection of 2,455 books and pamphlets relating to the history of socialism. (The sale is on November 10, the official anniversary of the October Revolution is November 7.) It is a somewhat uncommon field for book collectors, but a rich one. The pen can be mightier than the sword, and some of these books - more often than not badly printed by clandestine publishers - have influenced human destiny.

The word 'socialism' came into use in the 1820s to describe the varied Utopian reorganisations of society proposed by such men as the Comte de Saint-Simon and Charles Fourier in France and Robert Owen in England. The collection in Sotheby's includes a rare manifesto, *The New Industrial World* of 1830 (estimate £400-£500). A more aggressive oddity - which makes it easy to understand why the English bourgeoisie stood in terror of the early socialists - is a pamphlet by a certain D. Chatterton, entitled *Blood, Bullets & Bayonets* or, *An Appeal to the Half-Starved, Herring-Gutted, Poverty-Stricken, Parish-Damned Inhabitants of the Disunited Kingdom*.

England in the 19th Century was hospitable to political exiles, and Karl Marx spent the last 34 years of his life in London, staving off starvation only through the help of his friend and collaborator, Friedrich Engels, who worked in the Manchester branch of his family's textile firm. *The Communist Manifesto* had been written in Germany in 1848, just before Marx's expulsion, but *Das Kapital* was written in London, in the shelter of the British Museum Reading Room.

Neither of these works, the cornerstones of socialist thought, features in the collection in Sotheby's. Today a complete first edition of *Das Kapital* (the three volumes came out in 1867 and posthumously in 1885 and 1894) would probably realise around £10,000; last year a first edition of the first volume alone realised £3,000. An original edition of The Manifesto is worth considerably more: in May, 1986, Sotheby's sold a copy for £24,000 net.

France, with its revolutionary traditions, and Britain, with her advanced industrial society, remained the focus of socialist activity until the 1840s. After the wave of revolutions in 1848 and The Manifesto, which laid down the ground rules of modern socialism and communism, the movement spread through Europe and literature proliferated.

In 1865, Marx established the First International, or International Working Men's Association, which held its foundation congress in London. The collection includes the printed reports of several subsequent annual congresses. The Paris Commune of 1871, when working people assumed political power for the first time in history, gave a further huge boost to socialist activity, even though it lasted briefly and came to a bloody conclusion.

The last quarter of the 19th century saw the establishment of socialist organisations and a consequent renewed surge of literature throughout Europe. In Germany the Social Democrat Party was formed in 1875, and was to provide the model for most other national parties. A Russian socialist party was founded in 1883, but operated either clandestinely or in exile. The collection includes several works by its founder, Georgi Plekhanov, all published in Switzerland – a key centre for Russian, Polish and German political exiles.

The 1890s saw the rise of the greatest socialist intellectuals - Lenin, Trotsky, and Rosa Luxemburg - and some of the first and most bitter schisms in the movement. The most famous of these occurred in London at the 1903 congress of the Russian Social Democrat Party, when the party split into the Mensheviks (minority) under Martov, and the Bolsheviks (majority) under Lenin. The ideology of the Bolsheviks was already set out in Lenin's pamphlet, *What is to be Done? Burning Questions of Our Movement*, published in Stuttgart in 1902. Two copies of this crucial work are to be sold by Sothebys and will probably realise upwards of £500 each.

Thirty other Lenin pamphlets include some of his most aggressive attacks on political opponents, like *The Proletarian Revolution* and *Kautsky the Renegade*, the famouspamphlet in which he condemned the compromises of the German Social Democrats and their leading theoretician, Karl Kautsky.

Rosa Luxemburg, the finest mind and most humane figure in early 20th Century socialism, also broke with the Social Democrats, to become a founder of the German Communist Party at the end of the First World War. The war itself had produced the greatest crisis in socialist history, bringing a profound division in every country between those who supported the war on national and patriotic grounds, and those who felt that the great international brotherhood must oppose any conflict between proletariats.

An important pamphlet from this period included in the sale is Luxemburg's *Militarism, War and the Working Class* – a record of her memorable oratory in the Frankfurt criminal court, when she was charged and condemned in February, 1914, for inciting public disobedience: she had urged workers to defy calls to mobilisation. Luxemburg was murdered, along with Karl Liebknecht, in January, 1919, by the *'Freikorps,'* a paramilitary organisation set up under the new Social Democrat Government and prototypes of *Hitler's SS*. The collection includes a pamphlet by Trotsky and Zinoviev in protest at the murder.

A significant publication from a later date, and an ominous sign of things to come, is the German edition of Josef Stalin's *Lenin and Leninism* (1925). Ironically, the pamphlet is designed in stylish Constructivist typography - the kind of artistic avant-gardism that Stalin was so soon to crush.

The highest estimate in the sale (£1,500 to £2,000) is for a first edition of Engels' pamphlet, *Savoyen, Nizza und die Rhein*, inscribed by the author to the leader of the Belgian socialists, Cesar de Paepe, in 1871. The embattled pioneer socialists would no doubt have found it richly ironic that a century or more later their subversive works, written in passion and cheaply run off by underground presses, should become valued commodities in capitalist societies.

Janet Marsh

An item from Sotheby's November "socialism" sale

Jolliest art fair of the year

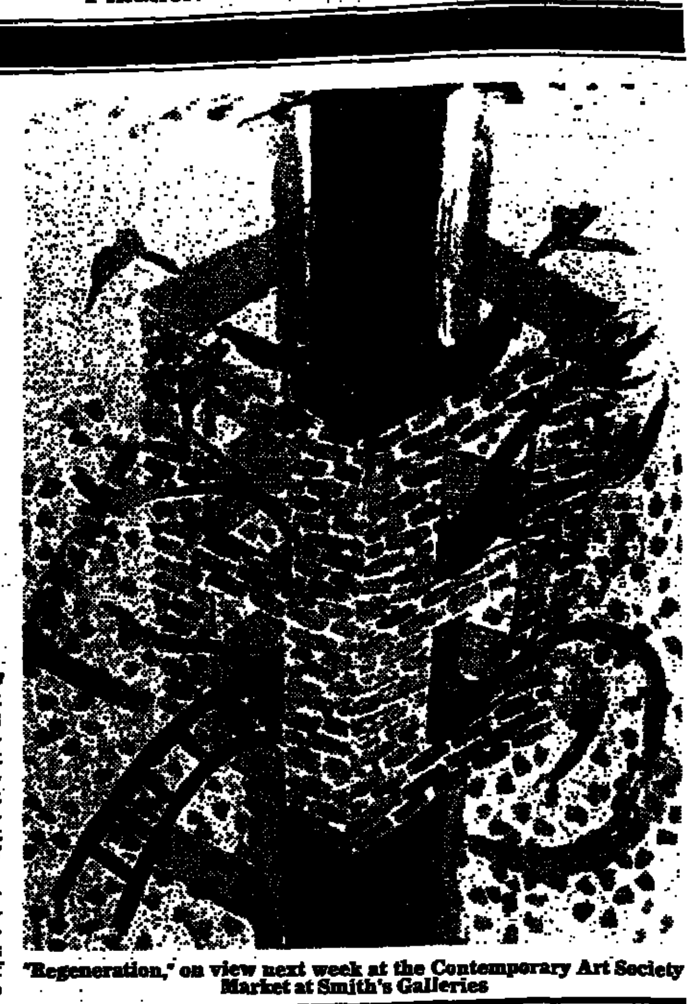
Lucia van der Post previews the Contemporary Art Society's annual beanfeast

CALLING ALL would-be art collectors. If posh galleries seem hushed and intimidating, hurry along to the jolliest art fair of the year - the Contemporary Art Society's annual art beanfeast is on at Smith's Galleries, 33 Shelton Street, Covent Garden, London WC2 from 4-7 November.

As always there will be an enormousselection of work by artists young and old, new and experienced. It's a marvellous opportunity to start collecting if you're facing blank walls - or to add to your collection, if you've caught the collecting bug already. Prices start as low as about £70 (which is the price you might easily pay for a meal for four in London - with the difference that the pleasure of a painting lasts a great deal longer) and go up to about £700.

A word of warning - go along as soon as you can: old hands know that the best pictures sell fastest. True, new ones will be added throughout the four days of the fair, but the earlier you go, the greater the choice. The Contemporary Art Fair is sponsored by Sainsbury's, and will be open from 11 am - 8 pm each day.

Photographed above is just one of the pictures that will be on sale - a gouache on paper (37 ins x 28 ins) by Cally Saunders. It costs £195.


"Regeneration," on view next week at the Contemporary Art Society Market at Smith's Galleries

Brown sparkle

A FABULOUS diamond studded golden egg worth a cool £1m is the star of the Champagne Diamond Exhibition which opens on Monday at the Goldsmiths' Hall, Foster Lane, London.

The five-inch high egg has been designed by Stuart Devlin, the Queen's goldsmith and jeweller, and took his team of top craftsmen months to make. It features 1,800 diamonds on the outside alone, ranging in colour from a deep brown, cognac at the bottom to a pale yellow champagne colour at the top.

Another 1,500 diamonds are revealed as the revolving egg opens into four sections, disclosing a miniature carousel with each tiny horse again decked out in diamonds. As the carousel starts to turn, the horses rise and fall, reflecting colour from tiny lights such as those used in electronics.

Devlin's aim in designing the pieces for the exhibition - the first of its kind in the world - is to bring to the attention of the public the beauty of champagne coloured diamonds. He is confident that the "browns" will not remain the poor relations of the gem diamonds for long once people see the peculiar warmth inherent in the stones when they are set in yellow gold.

The exhibition is being sponsored by Argyle, the world's biggest diamond mine, which propduced 30 per cent of the total world diamond output in its first year of production last year. The mine, based in the remote north of Western Australia, naturally turned to an Australian - Devlin came to England in 1964 - for advice on how to make the most of its coloured stones.

David Blackwell


A gold and diamond "Turbine" ring by Stuart Devlin

Peter Fort looks at our attitudes to junk food

Another man's poison

NONE OF US likes junk food, do we? It is only other people who eat junk food and they don't actually enjoy it. As I read the other day, it is worse than chewing gum or biting your nails because in the process you ingest meaningless and unwelcome calories. So we've all got it in for junk food.

Is junk food one of those ultra-vague terms of generalised abuse, such as "fascist" that we use to stigmatise behaviour that we find annoying? I think it is, for me at any rate. Junk food is what people annoy me by eating in the street, underground or public library. Viewed as a nutritional item, the acrid-smelling hot dog with fried onions and ketchup may be a beautifully balanced meal with just the mixture of protein, carbohydrate, fat and fibre that the Royal College of Surgeons would most earnestly recommend. But the manner of its going makes it junk for me.

There is quite a good case for the argument that it ain't what you eat, it's the way that you eat it. A chocolate with your coffee after dinner seems much more acceptable than sitting down in front of the snooker and working your way through the box. I have always imagined that this is the mythological excuse-mechanism for After Eight mints. We perceive them to be passed around by beautiful people at glittering dinner parties. We actually scoff them all at once in our cardies and felt slippers in front of the television. I do not think either manifestation makes them truly junk food, but it will to some people no doubt.

Here I am at a cocktail party: there are nuts and crisps. Do I choose someone to talk to on the basis of whether they are standing next to the peanuts (so full of desirable protein, so generous in fibre) or the crisps (all that fat). Is there really a junk/no junk distinction to be drawn here? And if there is why can't I bring myself to make it?

Fast food is by no means necessarily junk food. A good hamburger with, as the Americans say, "everything on it" is a nice balance of nutrients, wholesome, palatable and money well spent. If only the whole world could eat them, it would be a better place. But the whole world seems to be getting into its own localised fast food groove and, somehow, other countries' fast food - ie, not American - seems more acceptable.

Certainly falafel and samosas can be good eating. There was a time when samosas were a rare and exotic delicacy that one tremblingly asked for in Indian restaurants. Now you find them stacked alongside the Arabic newspapers and Mars Bars and cigarettes. If you are in luck and there is a microwave, you eat them steaming hot out of a minute paper bag as you walk down Oxford Street wearing your defiant look that says this is not junk food, it is a vegetable samosa. But your audience knows better: if you are eating it in the street it is junk food. If you ate muesli in the street it would be junk food.

I have eaten hot chestnuts by the light of acetylene flares in a street market in Palermo on a winter evening. If somebody had raised the junk food challenge I would have been affronted. Hot chestnuts have been with us for a long time and junk food is a modern concept, is it not? When my mother was a girl she used to see street vendors selling hot baked potatoes with the slogan "warm your hands and fill your belly for a halfpenny."

Was this before or after the invention of that ultimate junk item, candyfloss? I am afraid I don't know how long candyfloss has been with us but it has all the essential junk qualities to appeal to children, ruining their teeth, their appetites and their manners.

Although it has always been most carefully considered by nutrionists, gastronomes and market researchers, I must confess to finding most airline food pretty junky. Always eagerly awaited, it never fails to disappoint. Like all junk food it has been researched out of existence with acceptability to anyone and everyone its only criterion. Those little rectangular escalopes of grey meat from some unimaginable factory-farmed Euro-animal, dotted with insipid peas. Those compulsory puddings.

But the most dispiriting confrontation with junk food is when on the road you actually want a meal and there isn't anything. It often happens abroad. Too late for lunch, you rush into a bar to be confronted with the choice of crisps, popcorn, nuts, green olives, biscuits in tiny packets and pickled onions - and nothing else. This is when the awfulness of junk food is most apparent. Trying to make a nourishing sandwich out of a packet of cheese biscuits and a sachet of peanuts is an act of desperation. It is better, of course, to go to the greengrocer next door and buy an orange. But one never does.

Food for Thought

Cookery

Nanny knows best

THE FRENCH cheesemakers Fromagerie Triballat's big success in Britain to date has been *Roule*, the soft, fresh cow's milk cheese that looks like a Swiss roll.

Now they are hoping to have an equal success with goat's cheeses and are launching a trio of them designed to suit British tastes – soft in texture and not aggressively goaty.

First, there is *Cabrette*, a rich, creamy cheese with a mild, goaty tang, which gives it an interesting edge. It is a delicious, easygoing cheese, and as versatile as, say, *Petit Suisse*. Try it with wet walnuts and celery, oat cakes or bread. Offer it for dessert with a dab of home-made red currant, quince, or gooseberry jelly spooned over it.

Mash it with finely chopped and fried mushrooms and slip it under the breast skin of a bird to keep the flesh moist during roasting. Use it to stuff the core cavities of halved ripe pears, grind black pepper on top and serve with a few sprigs of water cress for an appetiser, or in lieu of the usual cheese course. Mix it with a handful of chopped, fresh herbs, and use it instead of mayonnaise for hard-boiled eggs and crudites.

If your taste is for lighter and simpler things, you may prefer *Chevret Frais*. It reminds me of a delicate curd or good cottage cheese – again, the goat flavour is very mild indeed. The makers describe it as a *fromage frais* made with goat's milk.

Triballat's third offering is *St Chevrin*, a small round cheese which the press release describes as designed for slicing and grilling or baking. I had high hopes for it, as I am very partial to a slice of common or garden *chevres* laid on French bread, moistened with olive oil, sprinkled with thyme, and cooked until hot and slightly moulten. But it proved a sad disappointment, with a synthetic look and taste and a disagreeable texture. I suppose I should have guessed that a cheese intended for cooking ought to be suspect.

Imports of cheeses from other European countries are also on the increase. I have noticed in particular that Greek and Cypriot ewe's milk, *Feta*, is much more widely available than it was. *Ricotta* can now be bought more easily outside Soho, and so can genuine *Mozzarella*.

In the last few weeks, I have used Feta frequently in Greek-style salads, made with lightly steamed beans and courgettes, as well as cucumber and tomatoes, a sprinkling each of thyme, oregano, coriander seed, and sea salt, and a generous drizzle of olive oil.

Another quick and excellent little lunch dish is *Crostini di Provatura*. I used to make this often when I lived in Italy, and was delighted to rediscover it recently when rereading Elizabeth David's *Italian Food*.

Cut some French bread very thinly indeed, and lay a slice of *Mozzarella* on top of each. I allow 2 x 125 g *Mozzarella* fresh cheeses and 16 slices of bread for four people. Arrange the slices of bread and cheese, just overlapping like tiles, in four *oeuf sur le plat* dishes and bake at 425F gas mark 7 for about eight minutes.

While the bread and cheese are cooking, make an anchovy sauce. Barely melt two ounces of butter. Add two ounces of canned anchovy fillets and their oil. Warm gently, crushing the fish with the back of a wooden spoon, and continue stirring over low heat until the anchovies have dissolved and the mixture is thoroughly hot. Spoon the sauce over the toasted cheeses as soon as they emerge from the oven and serve immediately. This piquant and very rich dish needs a plain green salad.

For stockists and further details, telephone Joe Gibbons at 0474-333-331.

Philippa Davenport

• D I V E R S I O N S •

Drawing: James Ferguson

James Ferguson advises on where to find the classiest shoes

Put your best foot forward

CLASSIC shoes have been around for decades. Some styles have stepped out of the 19th century; buy a good pair of shoes now and they will accompany you comfortably into the 21st. Italian shoes are unquestionably beautiful. Admire their looks, handle them, flirt with them, but beware, they can be fair weather friends - they were not designed to withstand rain.

Unless those Rossettis, Guccis or Zegnas prove irresistable, leave them on the shelf and settle for a pair of more rugged, reliable English shoes. These will be all leather, bench-made, black or brown and of a basic, proven style. They should fit snugly, with room for a bit of waggle at the toe (leather shoes will give a little on width but never on length).

Keep them properly looked after, washed and brushed, nourished with cream, polished with wax, perched on trees when not out walking and, if feeling a little low, taken to a kindly person with heeling powers, to provide some uplifting of the sole. Good shoes also benefit from an occasional scrub with saddle soap.

The English bootmaker established his already formidable reputation during the First World War when he supplied the allied armies (including Italy) with boots. After the war, his skill and experience were channelled into the manufacture of civilian footwear, and he is still acknowledged as the maker of the best.

The 1920s saw the rise in popularity of the low shoe or Oxford - exclusive to the avant-garde dresser for the previous 15 years - at the expense of the high shoe or boot, so uncomfortably reminiscent of recent military activities.

This was the era of the Prince of Wales who did much to popularise new men's fashions, often lifted from "low" sources and sport. Brown bucks and two-tone golf shoes - later popularly known as co-respondents - were particular favourites.

The 1930s slip-on loafers and side buckling Monk shoes joined the burgeoning roster of classics - as did pukka chukka boots and very casual ethnic shoes like espadrilles and huaraches.

After World War II, an attempt was made by the bloods of London Town to recall an innocent age before the world of wars through their adoption of the fashions of Edwardian England. Spring side boots were part of the kit, and these became known as Chelsea boots. Hot on the heels of the be-booted guardsmen in their curly-brim bowlers came the Teds - the first in a torrent of youth cults - each with its own distinctive mannerist mode of footwear.

HOW TO SPEND IT

Although in the early 1950s they dressed sobrly and fastidiously (with square-toed Oxfords), the Teddy boys wasted no time in obliterating what little reputation suede shoes had left after years of being associated with cads and homosexuals. Teds donned black or blue suede "brothel creepers" with two-inch thick crepe rubber plinths, in which they bopped, jived and broke things.

Elsewhere, the suede shoe had lost heart. Ashamed of its loutish teenage progeny it became prematurely middle-aged, went soft, lost its shape, looked pale; it became a Hush Puppy.

But the pop panoply roared on; Italian mock-croc buckle boots in the cusp of the decade; the 1960s brought the high-heeled, elasticated, centre seamed beat-boom boot and zippy bike boy boots; and by the time the mod circus had decamped in the late 1960s, its dizzy devotees had tried and tested desert boots, trainers, tassels, chisel toes, side-lacers and were left shod in either sandals or bovver boots - hippy or hard.

All that remained were two last efforts to heap excess upon excess; the chunkiest, clunkiest, most garish, most impractical footwear ever - the 1970s platform shoe and Punk.

Two classics emerged during these frenetic years, the high-flying Gucci loafer of snob fame, and the low-flying Dr. Marten sole of yob fame.

The theatricals loved the Italian Gucci loafer. The ideologicals hated them - bad, old-fashioned, rub-your-nose-in-it conspicuous consumption was all they could see. Actually, Guccis were a supple, lightweight futuristic skip back to the 18th century. They have been copied *ad infinitum*, but never with the aggressive self-confidence and insouciance of the brassy original.

First discovered and instantly unpopularised by 1960s skinheads, the Air Wair or Hawkins Astronaut boot with the Dr Marten's Air Cushioned sole was adopted because it looked what it was - a boxing glove for the foot. Since then it has reached deep into British society - especially in the plain derby shoe form. It is worn in bloodthirsty cherry red; uniform shiny black (at school, bank or police station); country pursuit matt maroon and matt black.

Best selections of Dr. Martens soled footwear are at Red or Dead, 22, Rupert St., London W.1.; Robot 323, Kings Road, London SW3 and 37, Floral Street, London WC2. Robot also do the fattest teddy shoes at £55.

One final tip: if you like the very best but can't afford it quite yet try pot luck at Maxwells, below Huntsman at 11 Savile Row, London W1 where their uncollected bespokes sell at about £200.

1. Punched seam Oxford, Alan McAfee, Knightsbridge. Choose black for city ubiquity, tan for everwhere. £130. For maximum impact, ooze with arrogance in a pair of "London Tan" (a particularly raucous amber) suede Oxfords from Fosters, 83 Jermyn Street, London W1.£190.

2. Black dress shoe by Gieves & Hawkes, 1 Savile Row, London, W.1. £85

3. Semi-brogue from Poulsen & Skone, at New & Lingwood, 53 Jermyn Street, London SW1.£125.

4. Black or creamy burnt sienna brogue by Ermenegildo Zegna, 37, New Bond Street, London W1.

5. Bespoke gillie brogue from Lobbs, 9 St James, London SW1. Prices start at about £800 and there's a six month wait for the first pair - but it's worth the wait, they are the best.

6. Yellow suede Derby with Doc Martens sole, £31.99 from Red or Dead, 22 Rupert Street, London W1.

7. Country house shoe (as worn by Prince Charles) by Wildsmith, Piccadilly, London, W1. £180.

8. Basic Bass Weejun, £60. The best shop for American shoes is unequivocally J. Simons of 2 Russell Street, Covent Garden, London WC2.

9. Black suede Gucci loafer, that rare creature, a truly glamorous man's shoe. Very unreserved, very special (what was that about Italian shoes being hard to resist?). Gucci, 27 Old Bond Street, London W1.

10. "Becket" Monk shoe by Church of England. Black or dark brown, £105.

Classics for tomorrow

Plain Oxford: The simplest, most obvious shoe in the world: the plain white cotton shirt of shoes. They must be top quality leather and trimly cut, as any defect is amplified by the severity of the style.

Toe caps are doffed for play in the most contrasting of materials: flattest, mattest white buckskin midday sun shoes or the glossiest, blackest patent leather after dark dress shoes.

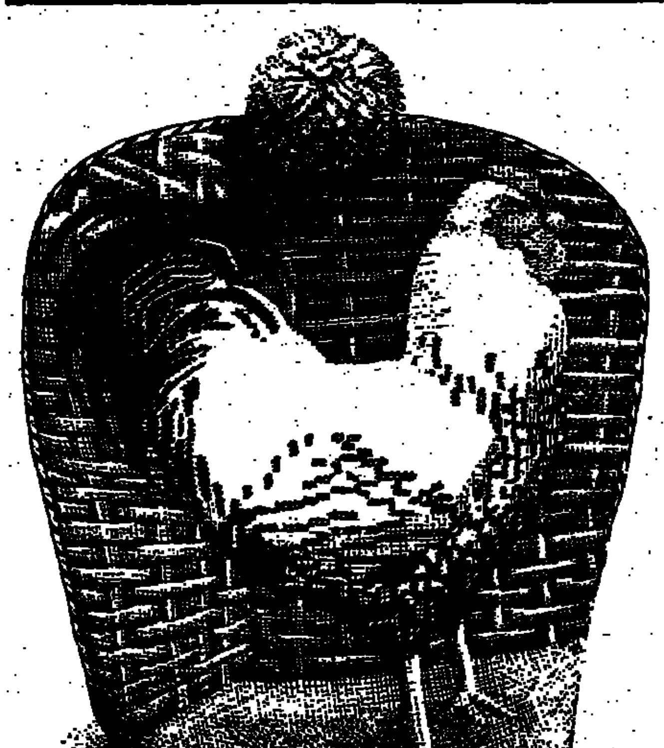
Brogues: The traditional pattern of wing-cap and heel counter on the full brogue was developed to provide double-layer strength at all points of stress in a golfing shoe. The punched patterns are vestiges of the drainage holes in the archaic Irish brog or bog shoe, just as the gimped (zig-zagged) edges are a stylised reminder of their roughly hewn forebears. Caledonian evocations are rife in the land of brogue; join-the-dots thistle designs on the toecaps; fringed "kiltie" tongues and gillie closures. A semi-brogue is an Oxford with a simple tune (or wiggle) in the toe-cap.

● The best value brogues in town are at Berks, 46-50 Burlington Arcade, London, W1 and Hackett of 1 Broxholme House, New Kings Road, London SW6. Both about £79, Hurry while stocks last. About £150 elsewhere.

Loafers: The Edward Green Country House shoe. A paradigm. The plain capped Oxford of slip-on shoes - but even more versatile. Complements, with magisterial understatement, any outfit, no matter what the label, without ever overstepping the marque.

Tassels lend interest and a modicum of flash to a loafer. The American Bass Weejun (from Norwegian, whence the style originated, among the fishing communities) is a slightly cruder variant. Tasselled, plain strap or "beef-roll", as pictured here.

The monk shoe: The strap-and-buckle monk shoe, dating from the 1930s is based on an ancient ecclesiastic design and the modern plain front version retains an austerity befitting its monastic provenance.



Drawing: James Ferguson

Needle points

LANDSCAPES, trees, animals and the topography of the countryside have provided inspiration for artists for as far back as historians can discover.

The world beater for decoration must be flowers. We sit on them in cushions, walk on them in rugs, sleep between floral sheets and eat from flowered plates. We have them on greeting cards, mugs, clothes, curtains, soap packets and scent.

Designer, painter, knitter and needlepointer Kaffe Fassett loves them, and they pour from his fingers onto sweaters, rugs and cushions with magnificent profusion. Not content with bunches of peonies, poppies and pansies, cauliflowers and cabbages are also used by the king of needlepoint designers.

Kaffe is famous for his use of colour. When God created nature he made colours that set one another off beautifully. So do Kaffe's mauves and turquoises we were taught to be so cautious with. He throws them in and they glow, enhancing all the gentle hues around them. He has that heaven-sent ability to combine myriads of shades.

His needlework started with a trip to a textile mill in Scotland 20 years ago. He stumbled on a rich store of yarns and found this 'paint' irresistable. The world of patterns he finds so engrossing are expressed in crafts riddled with the concerns of neatness and technique.

Kaffe's faithful followers are now needlepointing and knitting in ways they never dreamed of. Nurses on night duty have 36 colours hanging over the drip trolley. People on aeroplanes have a frame wedged between the seats, the skeins of wool tucked into leaflet holders. Liberated grannies and young trendies are similarly bewitched.

Kaffe's new book Glorious Needlepoint takes us away from the dreary world of reproduction old masters, dogs heads, sunsets and sentimental sayings. He and photographer Steve Lovi have marched into Home Sweet Home with colour, inspiration and a profusion of fruit, vegetables, animals and flowers. It must be the most beautiful needlepoint book ever produced.

Glorious Needlepoint. Century Hutchinson £16.95. Glorious Knitting. Century Hutchinson £14.95 hardback, £8.95 softback.

Karen Elder

Next Thursday marks the debut of a show with a difference. The Knitting and Stitching Show runs for just four days at Kensington Exhibition Centre, Derry Street, London, and offers the unique opportunity to enjoy the personalities, products, expertise, designs and inspiration that make needlecraft so stimulating and so much fun.

Such a wide collection of crafts has never been gathered under one roof, and attractions such as slide lectures by needlepoint king Kaffe Fassett, talks, crochet workshops, canvas work and tapestry make it a must for enthusiasts.

Country Notes

How to teach a young dog the old tricks

I WENT to Banbury Show and Fair in Oxfordshire recently to sell some rams at the Charollais Breed Sale. It was a splendid affair: well organised, well attended by breeders and buyers and charged with an air of excitement due to the remarkable energy and enthusiasm of the auctioneer.

Not having been to an auction of this sort before I did not quite know what to expect, but what really caught my attention was the absence of dogs.

Perhaps this is no surprise to you, but I know how difficult it is to separate the shepherd from the dog who is his companion through the working day and worth 10 men when it comes to moving the flock. Before I bought my first dog it would take me, my wife and three children nearly 15 minutes to collect and move our flock through a large gateway; with the dog, it takes two.

Sheep dogs tend to be bought and sold by shepherds who have the time, patience and skill to train them. I found my first one through a shepherd friend who knew of a trainer who 'did a bit of trading.' She was called Gyp, a good name to carry in the wind and short and sharp to use. She was a fearless bitch with a lovely, soft nature. But unknown to the vendor and myself, the little lady was pregnant; she produced a litter of 11 but died some weeks later. To lose a dog is sad, but to lose a sheep dog is a tragedy.

I went back to Gyp's previous owners and asked if they could find me another little bitch; they are gentler and more biddable). They found me Meg. By the way she squeezed herself under the car foot pedals when I picked her up, I knew she was nervous, but I had no concept of just how terrified she was. She ran away within the first few minutes of getting home, and was found in the middle of the night by her previous owners. I was advised not to have her back under any circumstances.

But I collected her on Boxing Day, two months after she had absconded. My advice from the shepherd was not to let her out of my sight for a while. I took this literally. For a week, Meg was tied to me by six feet of cord. Where I went the dog went, too. Outside she had a longer rope. After a time I let her off her leash, first in the house and then outside.

She presented a dismal picture: her head was always down and her tail curled so far under it looked as if it grew out of her throat. I was advised by everyone to get shot of her and buy another dog. So after one bad episode, which resulted in sheep being scattered in all directions, I gave her an ultimatum - improve or go. Thirty days was the probation period.

The spring dip was due and the flock was held overnight in a temporary enclosure. Early in the morning it was absolutely empty, and as far as the eye could see, across wheat and barley fields, my sheep were greedily grazing. This was to be our Waterloo. With some trepidation, I sent off Meg to collect her sheep.

She was brilliant, and she has never looked back. She prances around all day with her tail stuck up in the air like a ship's mast - a real sheep dog. And, what is more, she made it with five days to spare.

Bobby Robson

Jane Abdy on the rise of a remarkable Scottish family clan and their descendants

From Glasgow to the smart world

BROKEN BLOOD: THE RISE AND FALL OF THE TENNANT FAMILY
by Simon Blow. Faber & Faber, £14.95, 224 pages

SIMON BLOW'S book is timely, for his great uncle, Stephen Tennant, is both hero and victim in this strange tale. Magazines recently have been bright with photographs of the bizarre Wiltshire abode in which he lived as a recluse before its contents were sold.

Those who viewed the sale saw a decor, now tawdry, of wallpapers in fuchsias and pinks spangled in silver and gold, rose satin daybeds, and turquoise plaster shells glued on the walls. The library contained books on the occult, and two crystal globes. The atmosphere hovered between a clairvoyant's parlour and a seedy *maison de plaisir*.

As most people will now know, Stephen Tennant was an artist of minor and precocious talent. He was very vain of his looks, and a theatrical use of cosmetics made him appear androgynous. In middle-age he became chubby and indolent; yet he always acquired a cult of devotees.

He was a scion of a remarkable family. The Tennants were the largest industrialists in Glasgow, employing thousands in the manufacture of chemicals and bleach. In the second half of the 19th century, the family business was controlled by the indomitable Sir Charles Tennant. The story of Sir Charles and his amazing children, who ignited London society, has been admirably told by his daughter, the late Lady Crathorne, in Tennant's Stalk (1973). Mr Blow covers this ground in the first part of his book, but he has chosen to write a morality tale. There are warnings of future disaster. The first comes when Sir Charles, from his huge profits on the Stock Market, built a vast Scottish baronial folly, the Glen, and took an upwardly mobile leap.

Worse is to follow, when into the story trips pretty Pamela Wyndham, as the bride of Sir Charles's eldest son, Edward (later Lord Glenconner): Pamela dominates the second half of the book. She was the daughter of Percy and Madeleine Wyndham, known for their kindness and generosity, and sister of the sweet, selfless Lady Elcho. Yet, Pamela appears to Mr Blow to be the villainess, who caused the decay of the family - for such is his theme - by her pretentiousness and vanity. She married Tennant on the rebound from a romance with Harry Cust, whose memory she kept evergreen ('like a star in his cupboard').

Blow relates Pamela's distaste for commerce: she objected to seeing Tennant's products advertised at railway stations. However, the Tennant money permitted her, as Lady Tweedsmuir wrote, 'to have an aloofness from mundane things, and talk about poetry and literature.' It must be stated here that everyone who met Pamela found her to be a very kind, affectionate woman, if a little fey.

In 1906 she commissioned Detmar Blow, the author's grandfather, to build Wilsford. This was a traditional Wiltshire house which must then have looked most attractive with William Morris hangings and furniture. It was a haven for her and her children; bedrooms were called 'the little roseleaf room,' and for the boys 'the pirate's rest.' Pamela's attitude to her children was humourless and maudlin. She published a most embarrassing book, The Sayings of the Children, in which she quotes their infantile utterings and their rhymes in praise of her: however, this was the age when the whimsy of J.M.Barrie was paramount.

The eldest son, Bim, worshipped her, and, after his death on the Somme, she turned to spiritualism. To her other children, Mr Blow considers her claustrophobic cherishing to have been almost as fatal as the embraces of Medea. His great uncle David founded the Gargoyle nightclub and married Hermione Baddeley; his grandmother had a chic, brittle view of marriage and offspring; brother and sister led the lives of perpetual bright young things. The youngest son, Stephen, removed from boarding school because he wept, we have already met.

I have tried to resolve the parables of Mr Blow's book. It is vulgar to make money. It is admirable to make money, provided it involves a great deal of work. The new rich should not build palaces like Neuschwanstein. Their children should be forbidden to marry into a higher social class, even if they fall very much in love. Beware of the armigerous.

Pamela Wyndham: "distaste for commerce"

The flaw in Mr Blow's theme is that he has confined his tale to the more vulnerable offspring of Sir Charles. This distorts the truth. Sir Charles had 15 children, 11 of whom survived childhood, and they and their children are famous in politics and business. They continues to flourish and prosper. It is not fair to criticise the present Lord Glenconner for selling pictures to pay death duties, especially as he is known to love paintings and have a most perceptive eye. To buy Mustique for £40,000 was a coup worthy of Sir Charles, who, as Margot Asquith said, was always 'modern.' The Tennants have adapted to the times. The prime example is Peter Wilson, Charty Tennant's great grandson, who transformed Sotheby's from a quiet auction-house into an international concern, with an annual turnover of £836m. Nor are the literary gifts of the Tennants to be overlooked, for they have produced gifted authors of novels and memoirs, and, in Mr Blow himself, a most lively writer.

Malcolm Rutherford looks at a kindly view of Eden that does not obscure his failings

Someone blundered

THE FAILURE OF THE EDEN GOVERNMENT
by Richard Lamb. Sidgwick & Jackson £16.95. 340 pages

THE TITLE of this book about the Eden Government means exactly what it says. The stress is on the word "failure". The failure was collective and the book is confined to Eden's period as Prime Minister which lasted from April 1955 to January 1957 and which encompassed not only Suez but also the British inability to comprehend the founding of the European Common Market.

It is the first book on the subject to be written with full access to the documents in the Public Records Office which are now available under the 30 year rule.

Robert Rhodes James, whose official biography of Eden was published last year, had limited access as well as the sight of numerous family papers, but was writing a completely different kind of book. It was about Eden as a whole, whose cruel fate, Rhodes James noted, was to be remembered by one failure rather than by many achievements.

Richard Lamb shows occasional annoyance that Rhodes James was allowed to get in first, just as the latter was annoyed by the earlier, unofficial and more critical biography of Eden by David Carlton. In a brief Foreward, however, Lamb acknowledges that he is rather on the Rhodes James side. He admired Eden, knew him a bit and once pleased him by buying one of his cows in order to keep it in the Wiltshire valley to which Eden had retired. It was just that under Eden's premiership things went terribly wrong.

There is no need to dwell on Suez. The public records so far as they exist (some of them were destroyed, probably on Eden's instructions) confirm the worst. There was collusion between Britain, France and Israel which Eden did his best to conceal. He persistently misread the signals from the United States, which was opposed to the use of force. He could almost certainly have reached a negotiated settlement with Egypt over the use of the Canal, but perversely turned away from it.

All that is well enough known by now from other sources. The official documents only rub it in.

An explanation, tactfully put forward by Rhodes James and accepted by Lamb, is that Eden' judgement was flawed by the over-prescription of drugs following the botching of what should have been a fairly routine medical operation in 1953.

The crucial point, however, is that the great majority of the Cabinet went along with him. The first British suggestion that there could be collusion with Israel in attacking Egypt came from Harold Macmillan, the Chancellor of the Exchequer, who was later to be among the first to demand the retreat. When Britain was bombing Cairo in November 1956, Eden received adulatory letters from Lords Home and Hailsham, as well as from more junior ministers. So it would be wrong to blame the Prime Minister alone.

It was the same with Europe. Not only Eden but the entire British establishment misread what was happening. The British Government declined to be represented at the Messina Conference in 1955 not because it was against greater cooperation in Europe, but because it believed that the original six founder members of the Common Market were incapable of pulling it off. In particular, it was assumed that France would refuse to go along because the French National Assembly had earlier vetoed the European Defence Community.

Lamb seldom makes comments, preferring to let the records speak for themselves, but he does have a throwaway line in the section on Cyprus. "Old-fashioned colonialism," he writes, "was still current in the Eden Cabinet." The Cabinet distrusted the United States, distrusted continental Europe and thought that on the whole Britain knew best. But it was the bulk of the Cabinet that felt that, not just Eden.

A striking example of how unrealistic Ministers could be came from Macmillan urging the integration of Malta with the United Kingdom, a measure that would have brought Maltese MPs into the House of Commons.

"I feel at this moment in our history," he wrote, "the voluntary and patriotic desire of Malta to join us is something we ought not to repel. Centrifugal forces are very strong at the moment. Let us cherish any centripetal movement that we can find."

It took the threat of resignation by the Secretary of Sstate for Scotland to help put a stop to that.

On domestic policy Eden was approached by Lord Nuffield who said that his experience of the car industry suggested that the majority of workers would prefer secret ballots on strike action and on the election of union officials. The message was passed to Walter Monckton, the Minister of Labour, who dismissed it. Again it was not Eden alone who missed a chance.

It may be said that it is easy to criticise the Eden Government with hindsight. Yet all the criticisms could have been made at the time. The unfairness is to direct them all at Eden when by and large the Cabinet went along with him.

He also had one outstanding achievement shortly before he became Prime Minister. As Foreign Secretary he opposed the more bellicose intentions of the US in South East Asia. He did not believe that China was bent on aggression and thus quarrelled with John Foster Dulles, the US Secretary of State, and to some extent with President Eisenhower. Eden prevalied in producing peace of a kind at the Geneva Conference on Indochina, but his peaceful diplomacy did not endear him to the Americans. That may explain a lot about the American attitude towards Suez.

Books like this, incidentally, ought to be better edited. The King whom Neguib and Nasser forced to abdicate in 1952 was called Farouk, not Feisal.

Fiction

Hero with heartache

MORE DIE OF HEARTBREAK
by Saul Bellow. Secker and Warburg. £10.95, 355 pages

THE TITLE of Saul Bellow's latest novel is a quotation from its central figure, Benn Crader, a distinguished, middle-aged botanist. When asked by a journalist about current radiation levels, their effect on plant life, and ultimately on human beings, he replies: 'It's terribly serious, of course, but I think more people die of heartbreak -'

He has in mind, among other things, Della Bedell, the woman in the flat upstairs, who came to him saying 'What am I supposed to do with my sexuality?' After what might be described as 'compassionate sex', Benn fled the country only to discover on his return that Della has died of a heart attack.

Life is like that for Uncle Benn as his nephew Kenneth Trachtenberg points out. Kenneth, the narrator of the novel, is - he tells us - a 35-year-old, dolicephalic, John Carradine look-alike who idolises yet criticises his famous uncle. It is typical of Kenneth that he should mix cinema and science in a breathless stream of intellectual chic. Titillating references fall from his lips which send us rushing to the encyclopaedia - for all the world as if we were reading an early Aldous Huxley novel. His wise guy erudition stems from his background (he was sent from Valparaiso, Indiana, to be educated in Paris, and now teaches Russian at a university in the great Middle Western city where the action of the novel takes place). Like Benn but unlike his father, Benn's brother, he has no success with women. But there the resemblance ends. Kenneth is intellectual; Benn is metaphysical.

I use this somewhat overworked word in the sense in which T. S. Eliot used it of the Metaphysical Poets. According to Eliot, Donne and Herbert were the last of the 'whole men', before the 'Chinese Wall of Milton'. They could enjoy food and Spinoza at the same time; their work exhibits all the characteristics of what Eliot called 'felt thought'. Benn is like this. He is at the furthest possible remove from the contemporary botanists who analyse their subjects and leave them dead. Like Goethe, Benn looks beyond the plants themselves to the *Urpfla'nze*, the inner form which animates them. Benn is a creative scientist, a poet of the plants. Is it any wonder that, like so many of Bellow's major characters, he is a lost soul in the world of affairs.

This sense of being the naive scholarly sheep in a world of legal, medical and, above all, political wolves is exacerbated by the fact that Benn, 15 years a widower, falls in love with a woman 20 years younger who comes from just such a wolfish background. Her father, Dr Layamon ('Motormouth' to his associates) is by profession a gynaecologist but by nature a wheeler and dealer. His biggest asset is his daughter Matilda: beautiful, brilliant 'with more degrees than a thermometer'. Dr Layamon has a master plan for Matilda. The first step is that she will inveigle famous people into the Layamon social circle by using Benn's name. The second step is more sinister. Benn has been swindled out of millions of dollars by his own uncle, Harold ('the Big Heat') Vilitzer. If he can help bring Vilitzer to justice, these millions will be brought back into the Layamon-Crader circle. The third step is the use of these millions to renovate a Venetian-style mausoleum of an apartment owned by the Layamon family in a nouveau riche block called the Roanoke.

When Benn is snared and duly married to Matilda ('a real bitch, but her bitchiness will be working for you"). Things immediately go wrong. There is violence and bad feeling over the court case but, much more disturbing, Benn begins to see in Matilda some of the features he most dislikes in Dr Layamon -

Saul Bellow: story of a famous uncle

particularly his high shoulders for high shoulders remind him of the transvestite character which Anthony Perkins plays in Psycho. Benn has to get away. He agrees to go with Matilda on a trip to Brazil but secretly makes plans to go back to the North Pole on whose lichens he is an authority. 'Nothing but night and ice will help me now' says Uncle Benn, who cannot bear too much reality.

Of all Saul Bellow's books in the last 20 years this is by far the most heartening. Although it contains something of the pessimism of The Dean's December about America, its cities and its civilisation, the book pulses with the sort of life which made The Adventures of Augie March so unforgettable. But this is a mature, wiser Augie. The minor characters are given as much attention as the major ones - for example, the richly delineated Fishl, disinherited by his father the old and frail Vilitzer ('I'm the unhappy Edgar, cursed by old Gloucester his father. That's why I'm in this shit-house office while my brothers are up in pig heaven').

And how superbly Bellow has felt his way into the two main characters. He is partly Kenneth, forever philosophising, commenting on the action, and partly Benn who is in his own words 'a phoenix who runs after arsonists'. But the book goes deeper than this. Like all the great American novelists, Bellow is using the novel form in order to study not only himself but the nature of truth. As Lawrance Thompson said of Melville, Bellow is setting forth the subtle, brilliant, complicated, amusing details of his 'quarrel with God'. If future instalments are going to be anything like as good as More Die of Heartbreak let us hope that the quarrelling never stops.

Geoffrey Moore

When London called the globe in wartime

TRUTH BETRAYED
by W.J. West. Duckworth. £12.95, 262 pages

THIS IS a curious book. W.J. West (who has done good work on Orwell's career at the BBC) appears here to be writing a history of the political and propaganda use of sound broadcasting in Britain and Germany in peace and war from the mid-1930s till 1940-41.

West has delved with great thoroughness into the archives of the BBC and the Public Record Office and he quotes copiously from multifarious documents. He shows how Sir John Reith's early doctrine of the purity and independence of the BBC gave way not surprisingly as war approached and arrived, to limited government control.

The writer tells the story of the Nazi English-language New British Broadcasting Station, purporting to come from Britain but actually operating in Germany. Many notorious figures shuffle on and off these pages: Vansittart, Rex Leeper, Horace Wilson of the official side; and Mosely, William Joyce, and of course Blunt, Philby, Guy Burgess (larger than life) among the privateers.

But the book suffers from two major ambiguities. First, West never seems to be quite sure whether he is writing a history of sound broadcasting propaganda or a general history of the appeasement and early war years. As the former, his story may have some specialist merits. As the latter, it is a caricature shading into farce.

Secondly, West wobbles between giving a dispassionate account of the facts, and making considered political or moral judgments on them. As a result the narrative is interrupted by haphazard, disjointed and often wild judgments on men and events.

Some of these are little short of absurd. For instance, at the time of the Spanish Civil War, "The BBC and its staff, in common with most of the British intelligentsia, took an essentially Communist line". Sir John Reith? Then we are told that the luckless Anthony Eden's policy towards Italy during the Abyssinian war "seems to have been based on private considerations at least as much as on those of policy". Then West excuses Chamberlain for not at once condemning Hitler's invasion of Czechoslovakia on the ground that "he had not been able to gain any adequate knowledge of what had actually ocurred".

The British 1939 guarantee to Poland was, we are told, "to prove the crucial step that brought about World War II." (Hitler, apparently, had little to do with it.) Or again- certain sinister "peace" propaganda moves in 1940 are somehow traced back to a lecture given by Attlee years earlier on "Peace indvisible".

Confidence in West's less verifiable statements is also not strengthened by his dating the outbreak of the war in Spain on one page as in 1935 and another in 1936. (It was, of course, July 1936.)

Devotes of mole-hunting and spy-catching will doubtless learn a good deal from West's expert probing. We are told, for example, that William Joyce (though an organiser of Nazi radio propaganda) was not the original Lord Haw Haw after all; though who the latter really was remains obscure. But a general reader of this book who previously knew nothing of the history of the 1930s and world war two, could well end the story not being sure whether Guy Burgess or Churchill was respectively the chief hero or villain. Such a reader would also be wondering which truth was betrayed and by whom.

Douglas Jay

Fortunate Sir Lew

STILL DANCING
by Lew Grade. Collins £12.95, 314 pages

THERE ARE these two men. One, a Lew Grade, was a Jack the Lad when young, and is still capable of closing a deal before most people are out of bed in the morning. He is most proud of producing "Jesus of Nazareth"--and from it a profit of $30m.

The other, a Lord Grade, is blessed by the Pope, a friend of royalty, giver of Christmas parties to old folks, a man whose word is his bond and who has never gone back on a deal. They live together, relatively amicably, in this autobiography.

Lew Grade was running his own rag trade workshop in the East End when still in his teens. Lord Grade formed his latest company two years ago, aged 79, and is currently co-producing Starlight Express on Broadway. But business must be getting slack- he has found time to record his memories of eight decades of deals.

Most of it is pedestrian stuff. There is no literary merit; rare colourful insights into the many bizarre worlds that Lew Grade has orchestrated; few amusing anecdotes. It reads like the recorded reminiscences of a straightforward, rather unimaginative, accountant. But what the book lacks in sparkle it gains in integrity. Lew Grade was always a nice person to do business with.

The voice of the tape- recorder is most disappointing in the early years. Lew Grade recalls a Crimean infancy; an East End childhood; a teenage business career; and being world Charleston champion in his twenties. He makes it all sound quite routine. The dancing days in particular cry out for expansion. Lew Grade never pretends to have been a great dancer but to think of the stout latterday cigar- waving tycoon as a slim hipped hell-raiser whose main problems were fending off females and manoeuvering the oval table on which he climaxed his act around Europe requires an imagination that the book fails to deliver.

But Lew's very success means that business interests slowly take over the story. How he broke into the States; into television; into the cinema, although this late stage in his career was fraught with setbacks. In the end he was outwitted by Holmes a'Court, the only character in the plot for whom he has a bad word. But he is not mealy-mouthed. His brothers, Leslie and Bernie (Delfont) come in for lots of flak and love. He hints at Shirley Maclaine's oddities when rehearsing and Tony Curtis's vanities. But in the main Lew Grade has met thousands of wonderful people who have become staunch friends probably because he himself is a decent, hard working, professional. And, yes ,the story that ,when asked by a little girl what two and two added up to ,he replied "are you buying or selling ?"is apocryphal: just.

Antony Thorncroft

Lord Grade: former Charleston champion

Galbraith's A to Z

A HISTORY OF ECONOMICS: THE PAST AS THE PRESENT
by John Kenneth Galbraith. Hamish Hamilton. £14.95, 324 pages.

THORSTEIN VEBLEN on dogs, St Thomas Aquinas on used cars, and Gerald Ford on how to Whip Inflation Now are just some of the highlights in this effortlessly amusing history of economics. If you want to know why Aristotle was an economic dunce, how free market economics became a religious totem and why the word *professor* acquired a political connotation as opprobrious as that of *sexual deviant* in Washington in the 1930s, then this is the book for you.

Once again, by substituting jokes for equations and prose for porridge, Professor Galbraith shows that economics can be - well, if not fun, at least bearable. He is worth 100, perhaps 1,000, of the dull, second-rate arithmeticians that have hijacked the profession in the past three decades.

If Galbraith's history has a main theme, it is that "economic ideas are always and intimately a product of their own time and place". He scoffs at the notion that there any fundamental, unchanging economic relationships. Economic theory must constantly evolve if it is to keep pace with an ever-changing economic landscape. Don't therefore harp back to Adam Smith's pin factory if you want to explain the behaviour of IBM today.

The idea that economic theory responds to economic circumstances is extremely appealing. It explains why the intelligent but slave-owning Greeks had no theory of wage determination. It accounts for the rise of mercantilism in the merchant-trader dominated 16th and 17th centuries and its replacement by the classical economics of Smith, Malthus and Ricardo as the the industrial revolution gathered pace in the following two centuries.

Marx's outburst was a perfectly natural response to the early cruelty of capitalism. The triumph of Keynesianism and the birth of the welfare state in the aftermath of the Great Depression were equally logical : after nearly a decade of lost output and jobs, it was pointless to pretend that the unfettered market economy possessed the "self-equilibrating" tendencies hailed by its acolytes. Likewise it was idle to argue that the state could not do something useful to ease the lot of its less fortunate citizens.

More recently, the rise and decline of monetarism mirrored almost precisely the rise and fall of inflation - the problem it was invented to solve. Economic theorists do, indeed, look like helpless puppets, pulled in all directions by economic events they can never predict or comprehend.

Needless to say, this view of economic theory would not go down well in many faculties. Academic economists, by and large, take themselves rather seriously. They do (don't laugh) regard their discipline as a "science"; they seek unchanging law-like relationships; and they yearn to present their findings in neat little algebraic formulae. Mathematical sophistication has long been the principal yardstick of economic talent. As Galbraith observes, it is commonplace for the researcher to start by *assuming* "perfect competition" - not because this has ever been observed in our oligopolistic world of giant corporations, but because it makes the maths easier.

The rise of the historically-ignorant and politically-naive arithmeticians has led to the increasing irrelevance of much of what passes for economics in universities. Stagflation exposed gaping holes in the logic of macroeconomic theory that have yet to be repaired. Microeconomics, the modern legacy of classical economics, looks ever more eccentric. Stripped of its mathematical pretensions, it addresses a world that has largely ceased to exist : business is no longer (if it ever was) dominated by profit-maximising sole proprietors. "The future theory of the firm", says Galbraith firmly , will have to be a theory primarily of "bureaucratic structure and organisation" if it is to have any relevance.

He points out, with evident amusement, that as things stand, the academic study of economics is no longer even relevant to a career in economic life. For that you have to study business administration. This is truly a sad state of affairs. It is time the economists put both business and politics back into economics. If that means chucking out a few equations, so much the better.

Michael Prowse

CRIME

SO LIKE SLEEP
by Jeremiah Healy. Macmillan, £8.95, 210 pages

THIS IS the third adventure of Boston private detective, J.F. Cuddy, the somewhat down-at-the-heels widower who - thanks to the inventive skill and compassionate insight of the author - exists as an agreeable, convincing character beyond the stories in which he is involved.

In So like Sleep, the plot is, as usual, neatly constructed (except for a self-indulgent, but enjoyable excursion into Chicago night-life); and the minor figures are sharply incised. Neat construction does not, however, mean happy ending. There is an underlying bitterness in the narrative that only heightens its conviction.

MEN OF SUBTLE CRAFT
by Roy Lewis. Collins, £9.95, 192 pages

ARNOLD LANDON, the planning officer who has figured in a number of excellent novels by Roy Lewis, is, in Men of Subtle Craft, again sent to investigate an apparently straightforward application.

The disagreeable applicant is soon found murdered, and Landon, having met a number of possible murderers, is duly involved

William Weaver

Into Palestine

THE ZEALOUS INTRUDERS
by Naomi Shepherd. Collins £15.00, 282 pages.

SUBTITLED "The Western Rediscovery of Palestine" this fascinating book throws a beam of light onto the history of the Holy Land during the 19th century, a period which has been totally overshadowed by the dramatic and controversial events which occurred in Palestine during this century.

The author explodes many myths and refutes much convenentional wisdom in chronicling Europe's awakening geopolitical and religious interest in Palestine in the wake of Napoleon's disastrous campaign, the first European invasion of the Holy Land since the Crusades.

The history is enlivened by the fascinating and colourful characters who lived in or visited Palestine through the century. Some were found among the five Western consuls in Jerusalem. They included Emil Botta, the French consul who relieved the tedium of the "paltry eastern town" by smoking hashish, or James Finn the British representative who came unstuck trying to convert the Jews to Christianity.

Then there was Edward Robinson, the burly scriptural geographer from the Union Theological College of New York. Called "the greatest master of the measuring tape in the world" by his contemporaries, he used it to measure the walls of Jerusalem at the end of the 1880s.

This was also the century which saw the invention of the package holiday. Thomas Cook personally led the first of Cook's Eastern Tours in 1869.

One of the myth's dispelled in this work is that Palestine had been a barren and desert land before the advent of European settlers with modern farming methods. Throughout the book eye-witnesses refer to its "natural fertility", the "luxuriance of the vegetation" and to Palestine as "the granary of Syria".

In the same context, it is noted that the Ottoman system of punitive taxation in kind deprived the farmers of the motive to grow other than subsistence crops, an attitude reinforced by the constant threat of pillage by the Bedouin raiders from the surrounding deserts.

So, just when you thought that everything which it was possible to write about the history of Palestine had already been written, along comes a book which happily proves you wrong. Naomi Shepherd has performed a real service by piecing together the history of 19th century Palestine in such a readable form for the first time.

David Lennon

David Murray reports on rare Massenet and Bellini operas at the Wexford Festival

Frank kitsch, lyrical strengths

BESIDES THE lusty fakery of Giordano's *La cena delle beffe*, Wexford this year is offering Massenet and Bellini operas: neither so thoroughly forgotten as the Giordano (these ones do surface at rare intervals), but both unfamiliar in Britain to anybody except assiduous fans. The Massenet is his "Cinderella," the 1899 *Cendrillon*, which sets more or less the usual story to shapely, characteristically faux-naïf music, with faint Wagnerian echoes that are smoothly covered by the pervasive manner, all innocuous sweetness.

Henri Cain's libretto expands the tale for the stage only with an extra-prominent Fairy and an episode between ball and slipper-testing, in which Cinderella and her Prince meet secretly and fall into a magical sleep. In fact their main duet is located there, and at Wexford it is staged (and danced) as frank kitsch. The producer Seamus McGrenera has chosen to play all the sentimental portions of the opera thus, except that he also chooses to send up the breeches-role of Prince Charming: the American mezzo Robynne Redmon is made to look like a plump, depressed cocker spaniel puppy.

That does nothing for the romantic idyll; and though Miss Redmon sings with affecting simplicity and very well, the Australian Claire Primrose's Cendrillon aims too broadly at mature feeling, with a vibrato swell on every long note. Massenet's elegant line suffers. The fluid coloratura of Silvana Manga's Fairy never quite settles into the fragile idiom either: one finale which should be led by light, bright sopranos remained palpably earthbound with this pair. It was not the fault of the conductor Stephane Cardon, who drew unassertively stylish playing from the RTE Symphony throughout the opera.

The comic side of the opera is homely, well served by Joan Davies' booming zest as the stepmother - no hint of the sour malice that her husband and servants perceive in her - and abetted by a pair of loopily backward stepsisters (Jane Webster and Therese Feighan). Poor Pandolfe, the defeated husband, is phrased with distinction and tenderness by Pierre-Yves Le Maigat (whom I admired in a Campra opera last year at Aix), and various lesser roles are expertly filled. Nonetheless, if *Cendrillon* really has the potent charm that Massenites claim for it, proof must come from a central pair of lovers who really answer to Massenet's period requirements.

Bellini's *La Straniera* is on its way to the South Bank, and warmly recommended. In the canon it comes just before the familiar operas (the La Scala premiere was in 1829), and it proves to be ripely characteristic - jewelled with acutely expressive, supremely vocal inventions in Bellini's inimitable style. In fact several of the aria-melodies are dangerously similar in outline, but beautifully elaborated and varied. There are many simple, telling orchestral touches, some consciously wrought and effective ensembles, and a purposeful endeavour to enlist the chorus directly into the musico-dramatic fabric.

The story that served as basis for Felice Romani's libretto was drawn from a romantic novel, Victor-Charles Prevot's *L'Etrangere*, and baldly recounted sounds idiotic - as does many a story which may, properly fleshed out in words and/or music, capture one's sympathy beyond quibbles. "La Straniera" is an exiled Queen in mufti, with a brother whose friend Arturo, Count of Ravenstel, conceives a hopeless love for the mysterious stranger which incurs fatal complications. At Wexford the producer Robert Carsen, below his best form, was gingerly and half-hearted about staging the action (the ludicrously desperate climax of Act 1 was reduced to a cop-out), and Russell Craig's basic lake-scape, though pretty, was neither here nor there; the concert-compromise on the South Bank should be an improvement.

Perhaps Carsen was being solicitous for his young leading singers Renata Daltin and the Latvian Ingus Peterson, whose histrionic gifts stretched only as far as natural sincerity will go, but who boasted voices - and musicianship - of high-calibre promise and character. Bellini deserves no less, and the dark, interesting timbres of these principals exerted a substantial appeal. As the unhappy brother, the American Jake Gardner wielded a baritone of less specific density but considerably more artful professional polish; he will be a sterling asset to many future productions. His wife Cynthia Clarey made a heartfelt Isoletta (Arturo's officially intended bride), salvaging her recessive role - as Bellini obviously intended - with an elegantly impassioned scena late in the proceedings.

Smaller but significant parts were assigned safely to Philip Doghan, Giancarlo Tosi and Mikhail Krutikov. The conductor Jan Latham-Koenig was content to be sympathetic, supporting his singers faithfully but adding little by way of sharpening theatrical tension or marking crises. Though Bellini's later projects recognise that his talent was better geared to intimate effusions than to violent action, I think that *La Straniera* still wants its high melodrama, and therefore a resolute kick from the pit. The lyrical strengths of the Wexford version could only have been enhanced by more unabashed theatre and some urgent orchestral thrust.

Claire Primrose and Robynne Redmon with the Wexford Chorus in "Cendrillon"

Conductor Bernard Haitink

Book Review

Lives worth telling

Charles Mackerras: a musicians' musician. By Nancy Phelan. Gollancz, £16.95, 367 pages

Bernard Haitink - A Working Life. By Simon Mundy. Dobson, £12.95, 191 pages

BIOGRAPHIES OF living conductors are generally an awkward, unsatisfactory genre. "Was it *really* necessary?" is the response to all too many samples of it: the lives of most are hardly worth the telling, except as a record of work, or insofar as the needs of hardy fans must be attended to; and if the author has profited from some degree of collaboration with the biographee, it is not to be expected that controversial or "difficult" aspects and episodes of the career or the character in question will be examined with the desirable amount of candour or persistence.

In this light Nancy Phelan's biography of Charles Mackerras is a surprise, and a pleasant one. In advance one might have imagined that the biography of a musician known, admired, respected, and in this country, indeed, venerated as one of the most completely equipped and professional of all living conductors would all the same produce a not very gripping tale; for Mackerras is an unglamorous figure, celebrated entirely, and in the best way, for the breadth (Baroque music to Elliott Carter, every kind of opera in every sort of performing circumstance) and accomplishment of his musical gifts. Then, we read on the flyleaf that the author is a Mackerras cousin, who had the benefit of the conductor's full co-operation - at the end Mackerras himself supplies five appendices in which five topics (the appoggiatura, Mozart, Handel, Janacek, and aspects of conducting) of particular significance to him are discussed.

Soft-focus treatment, domestic in style and scope, might have been expected. Instead, the book, packed full of factual detail as any accurate charting of so exhaustingly crowded and active an international career needs to be, is refreshingly free of reserve in its depiction of the faults as well as the fine qualities of its subject. Mackerras's multifarious musical interests - I myself cannot recall another conductor who conducts a wider range of operas, and conducts them really *well* - and the huge influence he has brought to bear on British (and indeed international) musical life in the postwar rediscovery of Janacek and Handel operas are cleanly outlined.

So too the combination of tireless industry, restless adventurousness, and blunt, no-nonsense, yet unexpectedly complex personality that has won many friends and hardly fewer enemies in the musical world. Phelan, in the chapter "The Maestro at Sixty", evaluates the epithets "abrasive, opinionated, impatient and tactless, also friendly, unpretentious, infectiously enthusiastic, easy-going, generous to those seeking his help in his special fields of music," all of which have been used about him at one time or another. We learn about the difficulties of the early career, the capacity for overwork developed then, and some of the many toes stepped on on the way up.

Britten (Mackerras's unpleasantly anti-homosexual remarks in an Aldeburgh pub were overheard and reported, and from being a favourite conductor there he became a dropped one), Stephen Arlen, Jon Vickers, Corelli, Pavarotti, Winton Dean (the author is somewhat unfair to the great Handelian in relating a storm-in-a-teacup over Handelian disagreements), and Ruth Berghaus figure prominently among the owners of those toes; it is believed by many that Mackerras's personality, and its effect on the delicate sensibilities of the powers-that-be, provided the main reason for his failure to succeed Colin Davis at Covent Garden.

All this makes good, informative reading. The disappointments of the book lie in the author's pedestrian style and, more significant in a work of this kind, in her lack of informed musical judgment. We judge this not just in her handful of musical howlers (Haydn didn't write an opera *Berenice* but a solo concert cantata, "Berenice"), or in her absurd remarks about opera in English, but in her failure to consider Mackerras against a background of great conductors past and present. The distance between supreme expertise and genuine creative imagination is both a short and a mysterious one; only in Janacek do I recall a Mackerras performance crossing it. All the same, the variety and vitality of the man and his career come across with some ebullience.

Bernard Haitink, another conductor of honest, un-glamorous cast and style, and one of more limited musical range and speed of absorption than Mackerras, has by contrast crossed that distance in a good many of his undertakings. Simon Mundy's book, skimpy in size and excessively circumspect in treatment of the conductor's private life, is at once more informed in its musical judgments and much duller to read. It seems, after a while, like one steady, level-headed plod - the passionate enthusiasm that Haitink's greatest performances (his shattering Glyndebourne *Don Giovanni*, his awe-inspiring Shostakovich 10 and Bruckner 5) can inspire is almost never reflected or touched on in the text. A useful reference book (as in the Mackerras volume, there is a list of complete recordings); as a portrait of a great conductor it hardly begins to do justice.

Max Loppert

Harrell at the Wigmore

WITH ROSTROPOVICH proving such an awesome presence in London's musical life this month, it must seem almost an act of hubris for any other cellist to offer a solo recital. So one should certainly not underestimate the strength of personality that brought Lynn Harrell to the Wigmore Hall on Thursday night or his achievement in drawing a full and enthusiastic audience for the event.

Whatever music may be on hand, Harrell is always very much his own man. A big-boned strength of tone is his to command without any apparent effort and there is an uncompromising feel about his playing that keeps the listener strictly to attention at all times. None of Rostropovich's flamboyance or Tortelier's idiosyncratic, quirky humour is allowed to disturb the air of gritty concentration.

In a pair of the solo cello suites by Bach this led to only partially satisfactory results. The sixth, played without a moment's deflection in the face of technical difficulties, had a poise and cool-headedness that countless other cellists would envy; but the more sombre second suite seemed to pass by with no attempt at expression at all. Wherever the tone should begin to sing out, the bow just continued to dig into the strings with dogged determination.

Perhaps, after all, this music calls for an old-world grace that is simply not part of Harrell's vocabulary. As soon as he moved on to pieces from the 20th century, style and content immediately fused with altogether more conviction: Hindemith's Sonata for unaccompanied cello came across with much aggressive intensity and we had the ironic sight of the cellist finding more music in what is essentially a less rewarding score.

As to the reach of the programme, though, no complaints. Harrell chose to give us a piece called *Spectroscope* by Nigel Clarke, a young composer who completed his studies at the RAM where Harrell teaches, and its inclusion did nobody any harm. All the old effects - strange *pizzicati* and *glissandi* - are here, but used with a sleight of hand that keeps them fresh and alive. And all were technically enthralling, as indeed had been every item of the evening.

Richard Fairman

Records

Lully's Atys

Lully: Atys. Mey, Laurens, Mellon, Gardeil/Les Arts Florissants/Christie. Harmonia mundi France CD 901257.59 (3 Disks)

Purcell: Anthems for the Chapel Royal. Choir of Trinity College, Cambridge/Marlow. Conifer CDCF 152

Parry: Songs of Farewell. **Stanford:** Three Motets, Eternal Father, Magnificat in B Flat. Choir of Trinity college, Cambridge/Marlow. Conifer CDCF 155, LP CFC 155, cassette MCFC 155.

ATYS IS a welcome memento of the tercentenary production by Jean-Marie Villegier given with resounding success earlier this year in Florence, Paris and Montpellier - the Paris showing was praised on this page by Max Loppert. Once again William Christie conducts the expert "Arts Florissants" group. There are some cast differences. Even without the important visual element one can understand from this vivid and convincing recording how that success was won. This is one of the best introductions so far to the absorbing, not really remote or inaccessible world of tragedie lyrique.

To share in these mysteries you don't need to be a prince of the blood, a court dignitary or a Mme de Sevigne. Ordinary people watched public performances, hummed Lully's tunes and fitted disrespectful words to them. He was not a Mozart, Verdi or Wagner. He lacked the breadth, poetry and originality of his successor, Rameau. Some of his airs start with the ample grandeur of Handel only to trail away, as much because Quinault's words were not designed for melodic expansiveness as for lack of invention. Sometimes in place of Handelian vigour we are offered only vivaciousness. As a composer, Lully belongs in the second rank. As a musician of the theatre he was a master, forging a new art-form almost single-handed.

One says "almost" because he had the luck, and the discrimination, to find in Quinahult an excellent librettist, a dramatist of useful experience, one of whose talents was a gift for cut-and-thrust dialogue enabling Lully to demonstrate what he had gleaned from the declamation of the leading actors of his day. The Comedie-Francaise and the opera were friendly rivals whose respective stars admired and learned from one another. Lully is so good that one is tempted to forget and forgive his monstrously despotic, monopolistic behaviour, which his employer, Louis XIV, did nothing to discourage.

Between them Lully and Quinault reached a high level of sophistication, for example in their sure control of dramatic pace. The prologue to *Atys* (and prologues can be deadly) is swift and compact - no time for anyone to get bored - with a well-placed lollipop in the ravishing gavotte for the followers of Flora. Note, in act one, the natural ebb and flow of the recitative dialogue and the skilful build-up to the entry of the goddess Cybele. The quick-moving intrigues of the second act are a foil to the soothing languors of the sleep scene in act three - in every sense a point of repose.

Act four brings comic relief in the person of Sangar. The fifth and last act, when Atys, driven mad by Cybele, kills his beloved Sangaride and is saved from killing himself by Cybele turning him into a tree (an umbrella pine, to judge from the reproduction of the original decor, though a weeping willow would have been more suitable) has a restrained, elegiac quality different from the formal expression of grief one expects.

Guy de Mey's intelligently expressive singing cleverly implants a suspicion that the inconstant Atys, reputedly incapable of love, has little difficulty in loving himself. As the touchy imperious Cybele, Guillemette Laurens (of whom we must hear more) is majestic and scornful. Agnes Mellon is sweetly sympathetic as the much put-upon Sangaride. Jean-Francois Gardeil brings distinction ot the equally badly treated Phrygian kin, Celenus. The general standard of singing is enjoyably *high*. The recitatives, in particular, are delivered not only pointfully but with good tone. Splendid to have such a work on CD.

Purcell had more natural genius and a finer imagination than Lully without, alas, the time or opportunity to develop these qualities. Yet his Chapel Royal anthems, including "I was Glad" (written for the coronation of James II) and the haunting "Hear my prayer" make less than the expected effect in these sound, uninspiring readings by the choir of Trinity College, Cambridge. One feels one is transported back *to* the days before Britten, with his love and acute understanding of Purcell and his gift for performing his music, sharpened our appreciation.

Parry and Standford evidently make readier appeal than Purcell to Richard Marlow and his Trinity choristers. Parry's *Songs of Farewell* (1916) are sung with such wholehearted commitment that many a waverer about this period of Eng. Mus. may be converted. Stanford is here overshadowed. Parry at his most eloquent makes him appear faceless. Not the performers' fault - the singing is polished and the antiphonal writing of the motel "Coelos ascendit" (one of three written for this choir) is admirably captured. Now, which of our enterprising recording companies is going to give us *Shamus O'Brien*?

Ronald Crichton

Ballet

Page's Angel of Death

ASHLEY PAGE, admirably expressive dancer with the Royal Ballet, has, over the past four years, shown an original and persuasive gift for choreography. He was rather chucked in at the deep end when called upon to make a first professional ballet - *A Broken Set of Rules* - on the Opera House stage, but his *Carmen Arcadiae* for Rambert, and his recent and sparkling *Pursuit* at the Opera House, argue a gift for neo-classic choreography that is well worth encouraging.

Mr Page has also, over the past three years, shown more experimental pieces under the aegis of Dance Umbrella which, if nothing else, serve to get certain ideas onto a stage where their merits may or may not be apparent. Young choreographers are, by the nature of their art, called upon to make their mistakes in public, but we might have supposed that Mr Page was sufficiently expert by now not to have inflicted something quite as perverse as his new *The Angel of Death is in My Bed Tonight* on us, even under the shelter of Dance Umbrella.

What I saw on Thursday night at Riverside was a stage bare to the brick walls of the studio, with a decor comprising some pendant pieces of scrap metal. The programme sheet was largely denuded of capital letters (sure sign of pretentions to come), while the cast (Mr Page joined by Nicola Roberts, Kathryn Dunn, Peter Abeggien of the Royal Ballet, and Catherine White) were hideously garbed in leotards with metallic accessories - Mr Page wearing a brassiere apparently made from a wire lettuce dryer, while Miss Dunn occasionally appeared in a fudged Erte outfit for the Queen of the Night. Design was by Isobel Work.

The accompaniment, it goes without saying, was an ear-shattering din, brutish, painful, and unrelenting for the 75 uninterrupted minutes of the piece, provided by a group called This Heat, who were better named This Unendurable Racket. If managements are to continue to assault and bruise our eardrums with such physically offensive noise, then preliminary warning must be given to the public. Perhaps the Chairman and board of Beck's Bier, who are funding the Umbrella, should be asked to submit to this aural treat.

The evening might, even so, have seemed worth-while as experiment were there any sign that Mr Page's choreography was breaking new ground. But the exercise is wholly uncommunicative either of meaning or enquiry into the potential of dance. What I saw were polite classical enchainements, occasionally tricked out with aggressive accents, set beside the dreariest kind of post-modern *adage*, which looks like the floor-work of a feeble gymnast. Mr Page is too serious and too interesting a creator to have to indulge himself in this way. At best I can but be glad that he has got this thing out of his system. He has far more important and interesting choreography to give us.

Clement Crisp

Radio

Citizens of youth

CITIZENS (Radio 4, Tuesday and Thursday) is said to be an example of the way this channel is to move towards younger listeners; so the central citizens of the community thought up by Marilyn Imrie and A.J.Quinn are in their early '20s. Most of them have decent jobs. Alex Parker (Kate Duchene) has a house in Ditcham Heath, SW 21, where live Anita Sharma (Seeta Indrani), a Birmingham Hindu doctor, qualified at Leicester; twin Irish Catholics Julia and Mike Brennan (Beverley Hills and Russell Boulter), she a trainee manager, he a drop-out; and Scottish Hugh Hamilton, in a merchant bank. Plenty there for young listeners to identify with. The two 25-minute slots replace a 30-minute play on Tuesdays and *Analysis* on Thursdays, and there is an omnibus edition on Saturdays. We must wait a bit for a plot.

While Radio 4 turns to soap, Radio 1 turns to drama. Sunday's *Dancing with the Dragon*, by Alex Renton, was once a longer play on Radio 4 and has been poorly cut. It starts with Russell (David Lear), a supermarket assistant manager, in trouble over a till deficit; but the obligatory junkie is not he but his mate Mike (William Armstrong), and the kind of casual Radio 1 listener probable at 7 pm on Sunday may well not follow the change of viewpoint. It's all about Mike from there on, largely in monologue. His mum consults a social worker; his girl won't see him any more; he uses dodgy tricks to get money for his smack; he goes absent from his job at one of Russell's tills. The background sounds authentic, but the story did not hold me. Penny Gold directed.

Radio 1's short hourly Drug Alerts by Jonathan Moss were sharp enough. Each deals with a different case of addicton - heroin, Aids from shared needles, glue-sniffing, speed. They all seemed to be curable. I suggest more horror and fewer cures might shake people more.

Radio 4's Monday Play was a repeat of Anne Devlin's *Naming the Names*, that starts like a romance and blasts cunningly into Belfast warfare. Fiona Victory played Finn, who has an affair with an English judge's son so she can betray him to the Provisionals. A magical play, finely directed by Susan Hogg; but, without taking sides, I would like a rest from violence in Northern Ireland on Radio 4 drama.

On Tuesday, Radio 3 gave us a version by Peter Barnes of *Don Juan* and *Faust*, by Christian Dietrich Grabbe, a contemporary of Buchner. John Shrapnel and Robert Lang played those co-protagonists, Shaun Prendergast a likeable Leporello, Tina Marian was Donna Anna. The Don Juan part derives from Da Ponte rather than Tirso de Molina; Juan desires Anna, kills Octavio (to whom she is engaged but not attracted), kills her father the Governor. Meanwhile Faust, having made the usual bargain, also wants Anna, and takes her to a palace the Devil has built him on top of Mont Blanc, where he reveals to her the fatal truth that he is a Lutheran. Juan and Leporello climb up after them, but the Devil chucks them off, and they land in a graveyard containing a statue of the deceased Governor, which they naturally ask to dinner.

Faust, with his Devil, also comes to the fatal meal. He reveals that Anna is dead, and is almost at once sent off to Hell, his contract having elapsed. Then in comes the statue, who demands Juan's repentance. Not so, says the Devil; I chain your soul to Faust's. "What about me?" asks poor surviving Leporello in the classic conclusion.

It is nonsense, and frankly not very much fun, but I am glad to have heard it, and it was beautifully done under Ian Cotterell's direction.

B.A.Young

Chess No. 695

1 B-KR5 (threat 2 N-K3), KxP; 2 BxR. If QxN or QxB; 2 B-N4. If RxN; 2 B-N5.

WEEKEND FT

• SPORT •

Golf/ Ben Wright in America

A bad case of the yips

IT HAS probably escaped the notice of the Great British Public that your correspondent was recently involved in an 18-hole challenge match in the US against a journeyman touring professional from Escondido, California, Gary McCord.

McCord, winless in 15 years on the circuit despite his considerable ability, has recently turned his attention to television commentary of a somewhat irreverent and occasionally verbose variety as a colleague of mine with a major American network. His reception by the public here has been extreme at both ends of the spectrum. The fast increasing audience for golf on television find McCord either refreshingly bright or plainly hateful - there is no middle path.

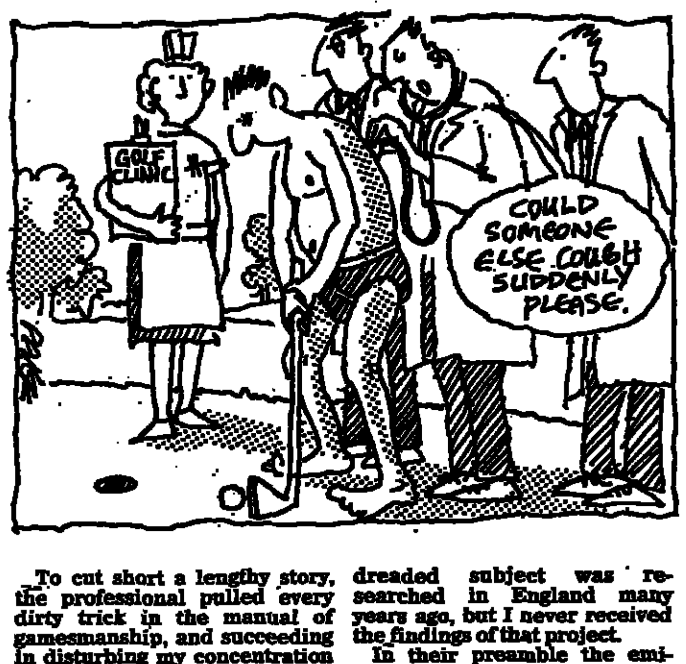
Having narrowly defeated McCord in a friendly match early in the 1987 season my victim thirsted painfully for revenge and duly achieved it in stunning fashion at Wexford Plantation on Hilton Head Island off the shores of South Carolina in April. McCord shot a course record 64 that fateful day, and I was destroyed both mentally and financially.

To his eternal discredit McCord subsequently chose to gloat grossly on the air about his triumph, in the process cruelly disparaging my admittedly sadly diminished ability.

The challenge match was arranged at The Golf Club in New Albany, Ohio, in late May, with your correspondent in receipt of a stroke at every hole, although I currently carry a handicap of 12.

The trouble was that I had to play from the tip of the tiger tees on a magnificent Pete Dye-designed layout measuring 7307 yards, par 72.

To make matters worse, there had been four inches of torrential rain the previous day. McCord duly arrived in a T-shirt bearing the insignia of the 101st US Airborne Division, army camouflage fatigue trousers, a beret decorated with a headband bearing a Japanese motto, and Kiwi boot polish smudged under both eyes. The fine American player Mac O'Grady, McCord's best friend on tour, was his caddie for the occasion, clad in top hat and tails with red bow tie, studs and cuff links. The game was on.



To cut short a lengthy story, the professional pulled every dirty trick in the manual of gamesmanship, and succeeding in disturbing my concentration to such an extent that I fatally 'twitched' or 'yipped' four putts, of less than two feet. Three down with four holes to play, I won the next three. But McCord holed a monstrous putt of some 35 feet for a birdie at the final hole to win the match. Even O'Grady conceded me a moral victory.

But that was when the trouble started. He also handed me a lengthy questionaire compiled at the University of California, Los Angeles, (UCLA) on his behalf - O'Grady is funding the research project - by Dr Keith McDaniel and Dr Jeffrey Cummings. McDaniel trained in neurology and psychiatry and is a Fellow in the Neurobehaviour training programme, Department of Neurology, UCLA School of Medicine. Cummings is, among other qualifications, Associate Professor of Neurology and Psychiatry at the same UCLA school of medicine.

The subject of their research is, of course, 'the yips'. As O'Grady describes it in his accompanying letter to USPGA tour members and me, this is a 'most important first step in an effort to understand this disturbing condition that has affected competitive golfers for decades.' In actual fact the dreaded subject was researched in England many years ago, but I never received the findings of that project.

In their preamble the eminent California medics described the yips as 'the occurrence of involuntary muscle cramps, jerks or tremors that occur when you are golfing - most likely when you are putting - but they may affect other movements or occur at other times. The yips is not anticipatory anxiety or performance anxiety, i.e., it is not the sense of nervousness or anxiety associated with stress.'

That may be, but nevertheless few of us who have suffered, or are suffering from the dread malady are likely to feel happy about it, or devoid of stress. It has done nothing to improve the game or disposition through the ages of such luminaries as Sam Snead, the late Henry Longhurst, Arnold Palmer, or the youthful Bernhard Langer. On with the questionnaire, however.

The first nine questions were simple enough. But the tenth and eleventh started to worry me. Does it matter whether one is white, black, oriental, Hispanic, American Indian, Asian, Middle Eastern, or Pacific Islander? And just as surely it appears entirely irrelevant that one's religious background might be Jewish, Jewish (Ashkanazi), Jewish (Sephardic), Protestant, Catholic, Muslim, Buddhist, Hindu, or anything else. One doesn't have to an eminent medical man to know that the yips respects neither creed nor colour.

Question number 12 was even more disturbing. It listed twelve drugs, none of which I had even heard of, that I might have been taking before developing the yips. There followed three questions concerning serious illnesses, injury and affliction I might have suffered. But worse was to come.

Question number 17 inquired whether one had been born prematurely, jaundiced, by forceps delivery, Caesarian section, or required a respirator. Or had my dear mother suffered prolonged labour? There followed two questions about various awful complaints members of my family might have suffered like Dystonia Musculorum Deformans or the fearful Myoclonus, whatever they might be.

Only when it reached question number 27 did the questionaire instruct those who do not suffer from the yips to proceed to question 69 which asks, finally, if the victim would like to participate in further research on the subject. This perhaps unconsciously implied that if one had answered the first 27 questions one would probably have contracted the malady by then, or something even worse.

The next 30 questions went into graphic, incredibly detailed questioning on the yips, like question number 45, which reads: 'When you are yipping putts do your eyes have a tendency to jump forward and focus down the target line towards the hole?' My eyes have never yet jumped anywhere, at least to my knowledge, nor have I suffered a subarachnoid haemorrhage, which was referred to in an earlier question.

Question number 57 was perhaps the strangest of all. It read: 'If the yips occur during tournaments, on what hole do they usually begin?' If I knew the answer to that one I would always walk off the course just before playing the hole in question. By this time I was feeling quite unwell, whereupon the questionaire turned its unblinking gaze on women golfers, and their most intimate complaints. Enough was enough.

Tennis/John Barrett in Hong Kong

Bates shows some steel

THE advertisement in yesterday's South China Morning Post invited Hong Kong tennis fans to "experience the action" themselves. The action is at Victoria Park on Hong Kong Island's Causeway Bay, where the $200,000 Seiko Super Tennis tournament is the Crown Colony's annual sporting spectacular that has been part of the Grand Prix competition since 1973.

It remains to be seen whether the tournament stays in the Grand Prix, which keeps refusing applications to be upgraded to Super Series status with its higher points and guaranteed allocation of top ten players.

Ironically the three players who appear in the advertisement - American David Pate, ranked 18th in the world, Yugoslav Slobodan Zivojinovic, ranked 19th, and defending champion Ramesh Krishnan of India - all lost, though Krishnan was forced out half way through the first set because of an injured calf.

For the organisers, Tennis Patrons' Association of Hong Kong, it seemed a disaster since Jimmy Connors, Andres Gomez and Aaron Krickstein had already pulled out on the eve of the tournament.

To those who follow the modern game, these losses and the demise of four other seeds were not surprising. Today's young professionals are far better than most of yesterday's men.

Outside the world ranking top 10 there are 100 or more eager competitors capable of beating the seeded players. There are no easy rounds any more, even in the qualifying tournaments

Joey Rive, the 24-year-old American, is typical of the new breed. Born in Puerto Rico, he went to Florida State University, graduated with a psychology degree and joined the tour later than most.

Yesterday he caught Pate off guard. The favourite arrived late from Auckland after winning a special event, and had not practised in Hong Kong because of torrential rain. He still felt low following the tragic news that his best friend had died in a car crash in California.

But Rive, a strong left-hander, was always likely to press Pate to the limit. He has beaten fellow Americans Paul Annacone, Mel Purcell, Tim Mayotte and also Zivojinovic this year, and has been nominated for the ATP award of Most Improved Player of the Year. He has lifted his ranking from 263 to 105.

Rive was reminded of the harsh realities of the circuit by the improved performance of Jeremy Bates, who beat Australia's Mark Kratzman after being a set and a break down. He did it again to beat Rive 5-7, 6-4, 6-4.

This is not the Bates I remember as a talented but fragile performer when he was best British junior of 1980. Here was a sign of steel, a new resolve that makes him look a different prospect. What has made the difference?

"Last May I suddenly realised I had never been committed. Many people, including Paul Hutchins, told me I had talent but had never developed it. Although I believed them I could never give myself 100%. One day I was chatting with Warren Jacques, who had helped Kevin Curren and Steve Denton. What he said seemed to make sense. I suddenly decided to hire him.

"It was expensive but perhaps that was what I needed; realisation that it was costing me money. For a month before Wimbledon I worked as never before. As well as hard practice sessions with Kevin and Stefan Edberg, I was running and doing exercises every day. It killed me at first but I was gradually getting fitter.

"It all happened for me at Wimbledon. I got to the third round of the singles and Jo Durie and I won the mixed. It was a fantastic two weeks that gave me motivation and enthusiasm to work even harder. It's been 5 months now and I'm still enjoying the training. Every time I go on court I know I won't lose because I'm more tired than my opponent. It has done wonders for my confidence.

"At last I've found a ruthless streak, something my coach Alan Jones has always wanted to see. I'm starting to impose myself on the opposition instead of hoping he will miss if I'm steady enough. And it has all come naturally out of the training. There's still a lot to do but at least I'm going forward again."

In an awkward match against Tom Nijssen of Holland, who beat him two years ago on slow clay in Martinique the only other time they had met, Bates moved swiftly to 6-4, 5-0 40-0, with three match points. On the third Nijssen volleyed a winner off a full-blooded smash that brought prolonged applause.

It also produced a tightening of Bates' muscles, the steel elbow all tennis players will recognize as the fear of winning. Two more match points came and went and Nijssen suddenly hit some blazing winners. At 5-2 Bates served for the match. Again Nijssen hit his winners.

At 5-4 Bates knew the loss of another service game might prove fatal. He went on attacking and won. Six months ago he would not have won any of the three matches that have taken him to only his second Grand Prix semi-final.

The previous occasion was in Tel Aviv in 1985. Today he plays experienced Australian Davis Cup player John Fitzgerald. It will be an interesting test of his improvement.

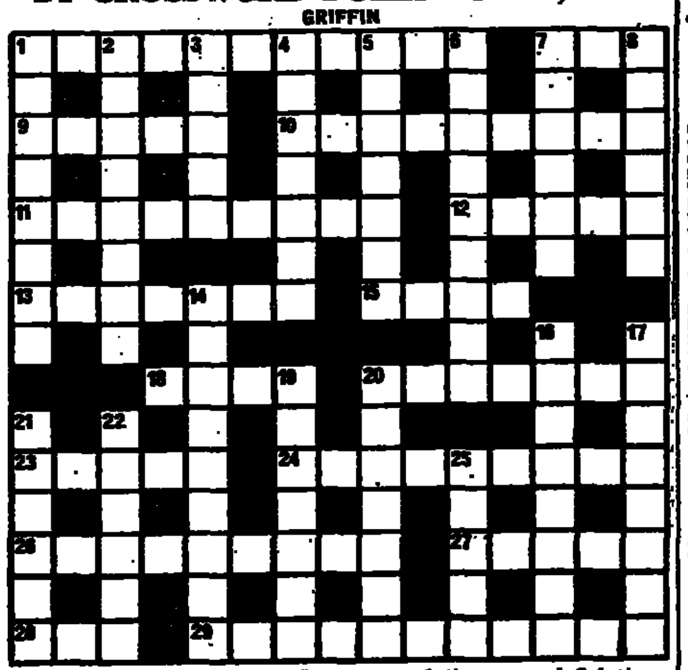
Zivojinovic's 7-6, 3-6, 6-4 defeat to young American John Ross was another example of the taxing nature of today's circuit. Against another promising newcomer, "Bobo" ran out of steam at the end of an exhausting four week run of tournaments in Basle, Sydney, Tokyo and Hong Kong, his 21st tournament in a busy year in which he has also played two Davis Cup ties.

This sort of schedule might be alright for a player losing in the first or second round each week. But these days Zivojinovic is reaching most semi-finals. Like Lendl, Becker and Edberg he admitted he would have to revise his tournament schedule to include his rests.

Jeremy Bates: all-out effort

FT CROSSWORD PUZZLE No. 6,470

GRIFFIN



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

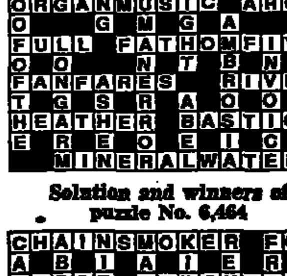
ACROSS

1 Stub foot in cruel accident (11)
7 Repeat "there's 28 off this material" (3)
9 Frequently about one foot inside (5)
10 Trousers made extra rough for us (4, 5)
11 A crowd handled diamonds with excessive fear (9)
12 Grass on head waiter with passion (5)
13 Serious love leaves one in tears, perhaps (7)
15 Loud suit needs sending back, pet (4)
18 Back street artist turns against emperor (4)
20 Scour lists in church (7)
23 Rock show starts dead on (5)
24 Festival for writer Lawrence Price (9)
26 Doctor roared "ring me from the airport" (9)
27 Sailors love holding party to music (5)
28 Scoff and repeat "7 across is missing" (3)
29 Talks to Ken, a confounded crawler (11)

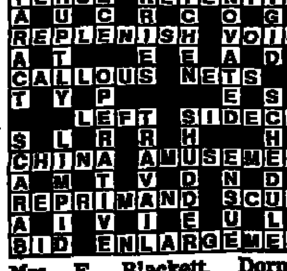
DOWN

1 Replace the cot after getting credit note (8)
2 Awkward word aunt's rewritten (8)
3 I'm not in time and not a singer (5)
4 Put a new coat on? (7)
5 Wealthy orchestra leader turned up on time (7)
6 Airforce article wrapped in wet fluff, possibly (9)
7 Excited when pistol practice is included (6)
8 Spanish brass to end striptease dancing (6)
14 Londoner in holiday region (4, 5)
16 Why one can't go off with Simon in a mess (8)
17 About ten trees do produce something sweet (8)
19 Connection with strike over harbour (7)
20 As soon as in California, hide (7)
21 Second week on a novel space flight (6)
22 Bird, 19, drops apple core clumsily (6)
25 Brings in sailors in a rough sea (5)

Solution to puzzle No. 6,469



Solution and winners of puzzle No. 6,464



Mrs F. Blackett, Dornoch, Sutherland; Mr B. Crowther, Stockport, Cheshire; Mrs A. Gray, Minehead, Somerset; Mr W. Hutt, Lutterworth, Leics; Mr W. Marlar, Ledbury, Herefordshire.

TELEVISION AND RADIO

SATURDAY

†Indicates programme in black and white

BBC1

BBC2

LONDON

8:00 am TV-am Breakfast Programme. 9:25 No 73. 11:00 The Roxy. 11:30 Frocks On The Box. 12:00 The Fall Guy. 1:00 pm News. 1:05 Saint & Greavsie. 1:35 Wrestling. 2:15 Comedy Classic: The Cuckoo Waltz. 2:45 Gymnastics. 4:45 Results Service. 5:00 News. 5:05 Walt Disney Presents...

CHANNEL 4

SAC WALES

... Yr Wy Pasg. 7:30 Newyddion (World and national news). 7:50 Penlymon '87. 8:30 Noson Lawen. 9:30 Y Mass Chwerw. 10:30 The Golden Girls. 11:00 Saturday Almost Live. 12:00 Baseball: The World Series. 1:00 am "Verdict" starring Sophia Loren and Jean Gabin.

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

Stereo on VHF

BBC RADIO 2

BBC RADIO 3

BBC RADIO 4

SUNDAY

†Indicates programme in black and white

BBC1

SAC WALES

BBC2

ANGLIA

BORDER

LONDON

CENTRAL

CHANNEL

GRAMPIAN

CHANNEL 4

GRANADA

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

The Boswells go respectable: Bread, BBC 1

YORKSHIRE

BBC RADIO 3

BBC RADIO 2

BBC RADIO 4